

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FISCAL YEAR ENDED  
JUNE 30, 2006



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1635 Faraday Avenue, Carlsbad, CA 92008

Website: [www.carlsbadca.gov](http://www.carlsbadca.gov)

*Prepared by the Finance Department*

CITY OF CARLSBAD  
Comprehensive Annual Financial Report  
Year Ended June 30, 2006  
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**Carlsbad City Council**  
**2006**  
**Five-Year Vision Statements**

*City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life for all who live, work, and play here.*

**Carlsbad . . .**

- ◆ Provides a diverse and healthy economic base, provides opportunities for employment to the residents of Carlsbad, economic vitality to the community, and the necessary revenues to support City services.
- ◆ Policies and decisions implement the General Plan, enforce the Growth Management Plan, maintain the safety and security of its citizens, and are based on what is best for Carlsbad.
- ◆ Occupies a leadership role in local and regional planning, (e.g., water, beach, circulation, and environmental issues) important to local governments actively involved in addressing governmental issues at the local, state and national levels.
- ◆ Provides an open government for the betterment of the community and encourages, in a non-partisan manner, active citizen participation and involvement with the City Council and the City's Boards and Commissions.

**And Carlsbad Efficiently and Effectively...**

- ◆ Delivers top-quality public services.
- ◆ Manages its environment proactively, including:
  - Open space
  - Wildlife habitats
  - Water quality/conservation
  - Beach erosion
  - Air quality
  - Resource conservation and waste reduction
- ◆ Promotes a safe and efficient integrated transportation system.
- ◆ Maintains citywide "small town" community spirit.
- ◆ Provides a community where continuous and life-long learning is supported and encouraged for people of all ages.
- ◆ Looks ahead and works to anticipate changes that are required now in order to make a better future for its citizens.







# City of Carlsbad

## Finance Department

October 5, 2006

Honorable Mayor, City Council,  
and Citizens of the City of Carlsbad  
CITY OF CARLSBAD  
Carlsbad, CA 92008

### **LETTER OF TRANSMITTAL 2005-06 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2005-06 Comprehensive Annual Financial Report of the City of Carlsbad. The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the City as of June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

State law and the City's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm of McGladrey & Pullen, LLP has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion & analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Also, as a recipient of federal and state financial assistance, the City is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Compliance Reports and Other Financial Information. The results of the City's Single Audit for the fiscal year ended June 30, 2006 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

### **PROFILE OF THE CITY OF CARLSBAD**

Carlsbad incorporated in 1952 as a General Law city, although its "village" area dates back more than 100 years. It is located about 35 miles north of the City of San Diego on the southern California coast. The City is governed by a five-member City Council under the Council/Manager form of government. The City





Council is elected at large on a staggered basis for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The City Council appoints the City Manager and City Attorney.

The City covers approximately 42 square miles and has a population of 98,607, with an expected build-out population of 110,000 residents. Industries in the City include 3 shopping centers; a regional mall, a specialty outlet center and a community center; a major family theme park; an auto mall; over 33 hotels offering over 3,400 rooms for tourist lodging; high-technology, multimedia, communication, and biomedical businesses; electronics, golf apparel, and equipment manufacturers; several business and light-industry parks; and numerous land developers.



This report includes financial statements for the City, the Housing Authority of the City of Carlsbad, the Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Police protection services
- Development services
- Fire and paramedic services
- Street construction and maintenance
- Water delivery system
- Library and arts programs
- Sewer system
- Recreation programming for all ages
- Solid waste services
- Park lands
- Housing programs

School programs and facilities are provided by four different school districts located, in part, within the City boundaries. Although the City Council has no direct control over these school districts, the City Council recognizes the importance of quality school facilities and programs to Carlsbad's residents. The City Council has worked closely with the schools in the past to provide assistance.

### **Budget Process**

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features, and assume responsibility for the budget's administration after adoption. The budget process begins in January each year with a review and update of the City Council's five-year vision statements and strategic goals

### **City of Carlsbad Strategic Goals**

**Balanced Community Development** – A city that connects community, place, and spirit through balanced and economically sustainable land uses.

**Citizen Connection** – A city that embraces Community connectivity through the effective use of technological and interpersonal mediums.

**Communication** – Ensure that community members, Council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.

**Environmental Management** – An environmentally sensitive community by focusing on: conservation, storm water, sewage collection and treatment, solid waste, and cost-effective and efficient use of energy including alternative energy sources.

**Financial Health** – Pursue and implement proactive strategies that support sustainable economic health and manage fiscal resources effectively.

**Learning, Culture & Arts** – Promote and support continuous learning, cultural opportunities and the arts within the community and the City organization.

**Parks/Open Space/Trails** – Acquire, develop, and maintain a broad range of open space and recreational facilities that actively address citizen needs, which are fiscally responsible, and are consistent with the General Plan and Growth Management Standards.

**Top-Quality Services** – A city that provides exceptional services on a daily basis.

**Transportation/Circulation** – Provide and support a safe and efficient transportation system that moves goods, services, and people through Carlsbad.

**Water** – Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high-quality potable and reclaimed water incorporating drought-resistant community principles.



for the City. The City Council also provides the City with its top 15 priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which the City Council would like to place special emphasis during the year. Once these are developed, staff develops operational goals based on the City Council's direction. These operational goals are the basis for the development of the annual budget.

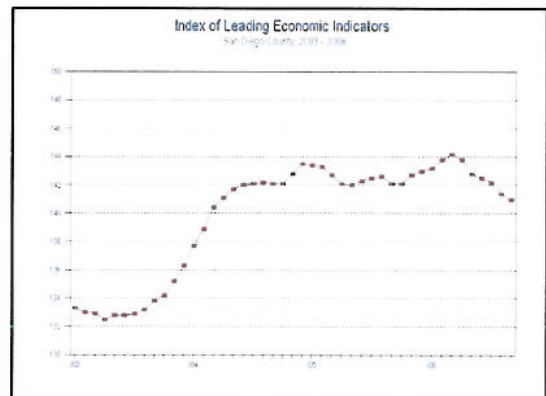
Budgetary control for the City is maintained through its accounting systems. The City Council adopts the formal budget at the beginning of each fiscal year and may amend it throughout the year as necessary. Expenditures may not exceed budgeted figures at the fund level. Monthly reports summarizing the results of operations for the City's more significant funds are provided to the City Council.

## **FACTORS AFFECTING FINANCIAL CONDITION**

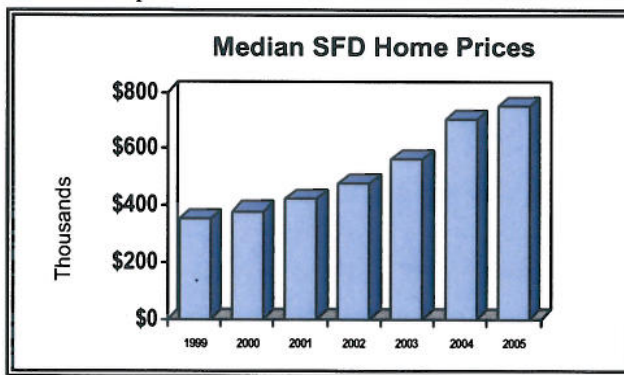
### **Economic Profile**

Diversification of San Diego County's employment base after the recession of the early 1990's has helped the region to weather the ups and downs of the business cycles without the dramatic declines seen in recent years in other parts of the State. The University of San Diego (USD) tracks the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six items to evaluate growth trends in the San Diego economy: unemployment filings, want ads, local stock prices, consumer confidence, building permits and the strength of the national economy. The index declined in September 2006 by 0.6%, which makes the sixth consecutive monthly decline in the index. The decline was primarily led by a decline in building permits, unemployment insurance and help wanted advertising.

Local stock prices, consumer confidence, and the outlook for the national economy were slightly positive. USD has indicated, "Job growth is expected to cool considerably in the year ahead." In addition, according to Alan Gin, USD Economist, the housing market and retail sales are also expected to be slow, while consumer confidence and local stock prices are slightly positive for September 2006. In addition, Mr. Gin primarily attributed the consumer confidence increase to falling gas prices.



Carlsbad's economy is tied closely to that of the San Diego region, although development patterns may differ. Carlsbad experienced strong growth in Fiscal Year (FY) 2005-06 in revenues from property and transient occupancy taxes (TOT). Property taxes grew by over 34% in FY 2005-06, reflecting the continuing escalation in housing prices as well as the State of California exchanging vehicle license fee and sales tax revenues for property tax revenue. TOT, the City's gauge of the tourism industry, ended the year showing a 14% gain, with a large part of that coming from the reopening of a major portion of one of Carlsbad's premiere resorts. Sales taxes added an additional \$750,000 for FY 2005-06 due to good consumer demand after taking into consideration the closing of the Robinsons-May department store at Plaza Camino Real, as well as the State of California taking a portion of the City's sales tax in exchange for property tax revenue.



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With supply relatively low, housing prices have continued to escalate. The median price for single-family homes in Carlsbad was \$748,000 for calendar year 2005, a 5.7% increase from the previous year. Total assessed values in the

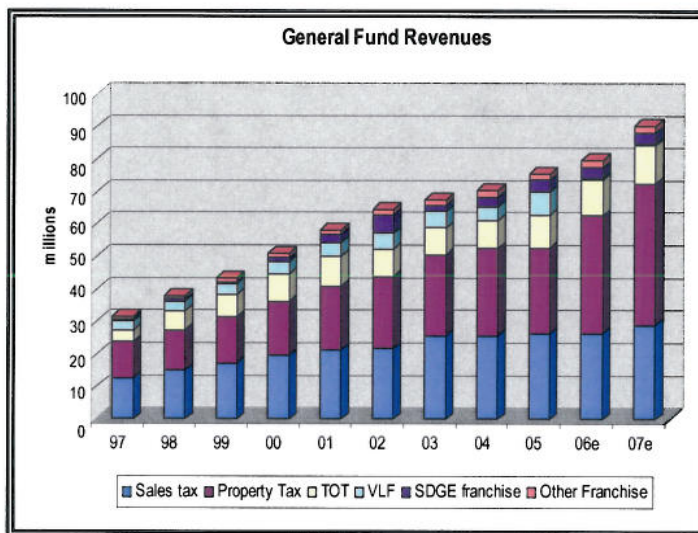


City for FY 2006-07 stand at over \$20 billion; a 69% increase over what they were just five years ago. The City has projected it will add about 2,580 more residential units and an additional 4.1 million square feet of commercial/industrial development over the next five years. The City's residential housing stock is about 89% built out, with approximately 5,270 housing units remaining to develop.

Carlsbad's residential real estate market has continued strong throughout FY 2005-06. The City expects to issue 1,000 residential permits this year, a decrease from the 1,663 issued in the previous year. The number of permits is expected to decline due to the nearing of build-out and a slowing economy. There are a number of new residential communities under construction or in the final phases of development that will add significantly to the residential housing stock in Carlsbad. Home sales are well under way in the Calavera Hills project in northeast Carlsbad, with 331 single-family homes and 358 multi-family units planned. The Villages of La Costa projects known as the Oaks, the Greens and the Ridge are under construction, and will add approximately 970 single-family and 450 multi-family units. The Bressi Ranch area is also under construction with 523 single-family and 100 multi-family units to be developed. And finally, the Robertson Ranch area, which is expected to contain over 1,000 residential units, is finishing up its master plan. The completion of these planned communities will signal an end to the large-scale residential developments in Carlsbad.

Commercial and industrial developments have been averaging 800,000 square feet per year. This is expected to remain about the same over the next five years to average 820,000 square feet per year, with the large industrial developments of the Forum, Carlsbad Raceway, and Oaks North. Some of the major companies in town include the Gemological Institute of America, ViaSat, Invitrogen, Callaway, TaylorMade, Upper Deck, and many others.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, and has generated additional sales taxes to help pay for City services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the most recent addition, the Forum at Carlsbad – a commercial center with retail shops, restaurants and other commercial uses.



Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The City is host to a major family theme park: Legoland, and has two luxury resorts available for its visitors: the Four Seasons Resort at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the City with the most recent addition being the West Inn, which opened in May 2006 bringing the total available hotel rooms in the City to about 3,400.

For the future, there are several new tourist-serving projects in development. The La Costa Resort received approval to develop up to 197 commercial resort villas on their site. These are expected to be phased in over the next several years adding over \$1.4 million in TOT when completed. Two hotels near the airport have been approved, which would add an additional 249 hotel rooms, bringing in an estimated \$500,000 per year in TOT. In addition, a new project next to Legoland has been approved for 350 hotel rooms and 350 timeshare units. This project will also be phased in over time and is expected to generate an additional \$1.4 to \$1.7 million per year in TOT.



The City's base sales taxes are projected to grow by 4.0%, while year-over-year sales tax growth is projected to grow by about 9.2% for FY 2006-07, due to one-time adjustments during FY 2005-06. While the growth in housing prices is expected to moderate as interest rates rise, there is a lag with the property tax revenue and therefore, according to the County Assessor, the City should expect assessed values to increase by over 15% in FY 2006-07. New building permits are predicted to slow slightly as new housing developments come on line and absorption rates of new homes slows. And finally, tourism is expected to continue to be strong, with TOT receipts projected to grow by 6% in the future, with the addition of more available rooms.

For Fiscal Year 2006-07, the City's revenue projections reflect a slowing of the economy due to rising interest rates, an anticipated softening in the housing market, as well as higher oil and gas prices. Conservative increases are expected in most of the tax revenues with overall General Fund revenues increasing by 8.8%. The most significant area of risk in the forecast for Carlsbad is in the impact of the State of California's budget deficit discussed below.

### State of California Budget



In addition to the risk of a softening of the housing market or a slow down in the economy, the State of California's fiscal problems also cast a shadow on the City's economic future. The State of California has been in a severe fiscal crisis for a number of years. Through a variety of loans, one-time revenues, interfund borrowings and raids on city, county and special district funds, the State has been able to manage its cash flows and stay solvent.

However, more drastic measures will be needed for the State to finally get its budget in balance.

According to the Legislative Analyst's Office (LAO), the State is facing significant deficits in future years despite the stronger revenues seen in the past few months. The LAO's report indicates that the State's 2006-07 budget is using a significant portion of the fund balance to cover the State's current operating shortfall, and a \$4.5 to \$5 billion shortfall is expected to exist in Fiscal Years 2007-08 and 2008-09. The ongoing budget shortfalls result from expenditures growing faster than revenues. The State has balanced its budget by taking city money in the past, and there is a risk that they may continue this practice in the future.

In Fiscal Year 2003-04, the State took approximately \$1.5 million in Vehicle License Fees from the City's General Fund with the promise to pay it back in the future. Then, in November 2003, a ballot measure was passed authorizing what is known as the "Triple Flip." This is a complicated method of securing payment for the Deficit Reduction Bonds, issued by the State to balance their budget. It is essentially a temporary swap of a ¼ cent of the cities' sales tax in return for property tax. It should have no effect on the amount of tax revenues the cities receive, but it will result in the loss of some interest earnings due to the delay in the timing of the receipt of the taxes.

As a result of the continued attacks on cities revenues, a coalition of cities, counties and special districts got a measure placed on the November 2004 ballot to put some protections in place for local governments. The measure included the following provisions:

- Permanently reduces the vehicle license fee (VLF) rate to its current .65% and provides property taxes to cities and counties to offset the loss on a dollar for dollar basis.
- Guarantees repayment in Fiscal Year 2007 of the VLF amounts taken by the State. (The payment was repaid by the State during Fiscal Year 2006.)
- Guarantees that the "Triple Flip" will be reversed when the bonds are repaid.
- Prevents the Legislature from reducing the combined property tax shares of cities, special districts, and the county, except to borrow the funds on a temporary basis to address a "severe state fiscal hardship."
- Provides for mandate relief if the State does not pay the mandated costs.

All of this in return for a contribution to the State totaling \$1.3 billion in both the 2005 and 2006 Fiscal Years from cities, counties and special districts.



The measure passed and as a result, the City of Carlsbad gave the State \$1.8 million from the General Fund and \$220,000 from its Redevelopment Agency in Fiscal Years 2004-05 and 2005-06. However, in exchange for this two year “contribution” to the State, the cities have gained protection from further raids on their major tax revenues by the State.

### Long-Term Financial Planning

It is the City Council’s goal to ensure that the City remains in good financial health, and the City has taken a number of steps to attain that goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed along with development or that a financing plan is in place to pay for the facilities prior to the development of the property. Thus, the initial capital facilities needed to support the growing population are provided without financially impacting the City or its current residents. The City also prepares a 15+ year Capital Improvement Program. As part of the Capital Improvement Program, the amounts needed to pay for the various projects as well as the operating budget impacts are calculated. In this way, we can anticipate the effects of development from both a capital and an operating perspective.

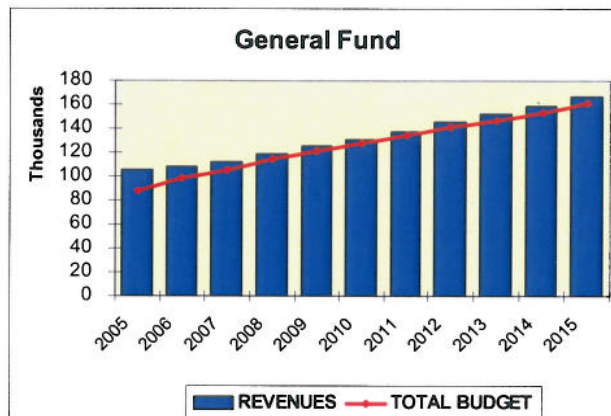
In order to assure that the City has the funds to replace these facilities as they age, an Infrastructure Replacement Fund was created. With this fund, the City is setting aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the City’s infrastructure is relatively new; therefore, the City has not felt the full impact of maintenance. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, when needed, will be performed on streets, parks, and the many facilities for which the City is responsible. During Fiscal Year 2007, the City Council approved allocating \$7.2 million or 6.5% of the General Fund revenues to the Infrastructure Replacement Fund. During Fiscal Year 2006, \$4.2 million or 4.0% of the General Fund revenues were allocated to the Infrastructure Replacement Fund. The increase in the allocation is due to the City’s current financial strength as well as the desire to plan for the future to create and maintain a sustainable community.

In addition to these steps, the City prepares a ten-year financial forecast for the General Fund each year, in order to understand the effects of actions taken today on the City’s future. The City has experienced strong revenue growth over the past ten years due to the development of the majority of its commercial sites. The future will bring a few more commercial sites but at a slower pace, while residential development is expected to slow over the next few years. There are also quite a few City facilities – mainly parks and civic facilities – planned in the future to serve the growing population. The new facilities will add operating costs to the City’s General Fund budget as they are completed and opened for use.

These factors alone will cause the General Fund costs to escalate at a higher rate than inflation. In addition, a number of other factors, including retirement and health care costs, have created upward pressure on expenditures, especially over the past several years. These factors have been incorporated into the General Fund forecast shown on the next page and projected over the next ten years. While no forecast is ever totally accurate, it does represent a likely scenario given the assumptions on which it is built.

This forecast assumes that revenue growth will continue at a moderate pace in 2007 and into the future. To project the expenditures, it includes all known personnel costs including any benefits negotiated with the employee groups.

The forecast assumes 15% increases in health care costs in the near future, slowing to 5% in the future. It also assumes personnel growth (new positions) to remain rather flat at no more than 2% per year. Cost of living increases between 3 and 5% have been added to personnel costs. Pension plan costs are anticipated to



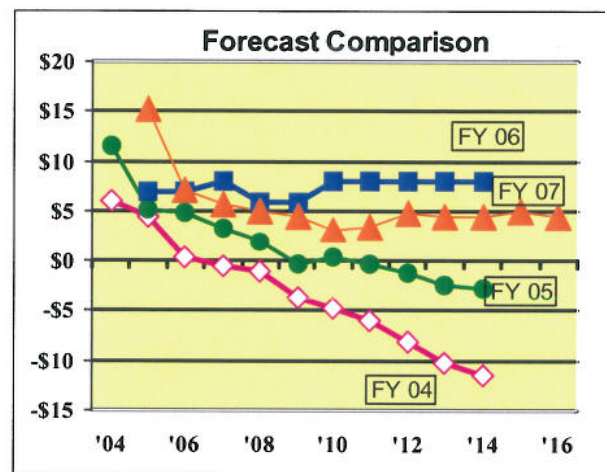


remain essentially at current levels. It assumes that the contribution from the General Fund to the Infrastructure Replacement Fund is increased to 6.5% of General Fund revenues. This is an increase from last year's forecast assumption of 4% of the General Fund revenues. And finally, it includes estimated operating costs for all capital projects in the timeframes shown in the Capital Improvement Program (CIP). One of the biggest assumptions in the forecast is that services as reflected in the Fiscal Year 2007 Adopted Budget will remain the same. No new services have been anticipated although growth in current services to match the growing population has been incorporated.

The results show that the General Fund is balanced into the future with a slight surplus in each year of less than 5%. This achieves the goal set out by Council to maintain a balanced budget.

The situation was different just a couple of years ago when the forecast projected that the City was headed for deficits unless corrective measures were taken. For the past few years, Council and staff have worked to bring the forecast back into balance. Through a combination of enhancing revenue sources and finding more efficient methods of providing services (and with the help of a strong local economy), the City was able to turn the forecast around from heading into deficits to a healthy balance.

One of the more significant revenue enhancements that occurred in 2004 was the passage of the reauthorization of Transnet revenues. Transnet is a ¼ cent additional sales tax collected countywide and used to improve the transportation systems. The current authorization for the sales tax was to end in 2008. SANDAG, the San Diego Association of Governments, placed a measure on the November 2004 ballot to reauthorize the sales tax for another 40 years. The measure passed providing the City over \$1.5 million in annual taxes to be spent on street repair, maintenance and construction, in addition to other potential project funds.



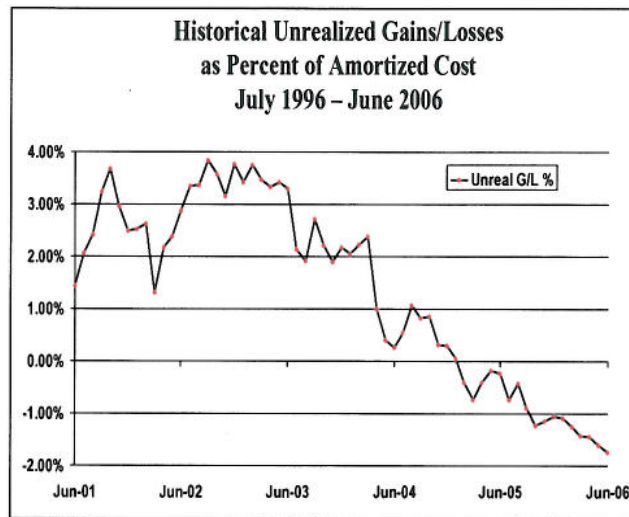
The ability to understand the future impacts of both changes in revenue sources as well as program needs is crucial to ensure that the City has the funds available to make its future plans come true. The General Fund financial forecast is a tool available to the City to achieve the goal of managing its fiscal resources effectively and monitoring the achievement of sustainable economic health for the City of Carlsbad.

### Cash Management

The City Treasurer is charged with the design of an effective cash management and investment program consistent with legal requirements and the Carlsbad Investment Policy. The City annually adopts a comprehensive investment policy specifying, among other things, investment objectives and strategy, type, and term of investments, reporting requirements, and investment oversight. The City's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the City's investment pool as of June 30, 2006 was 2.022. The average return realized on the pooled investments rose from 3.55% in Fiscal Year 2004-05 to 3.98% for Fiscal Year 2005-06.

Investment income shown in the financial statements includes changes in the fair value of investments as required under GAAP. Increases or declines in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts. This is especially true as the City holds most of its investments to maturity rather than selling them at fair value.

The graph at the right shows the amount of unrealized income (loss) reflected in the portfolio over the last few years. The total portfolio had an unrealized loss in Fiscal Year 2006. According to the City Treasurer, "This unrealized loss occurred as investments with high interest rates matured and were reinvested in lower market rates. It is likely that this trend will reverse in FY 2007 as investments with lower interest rates mature." This is discussed more thoroughly in the MD&A.





### Major Initiatives

Public safety has always been, and remains, a top Council priority. After reviewing the current staffing requirements and the population growth in the City, it was evident that there was a need to add new Public Safety personnel to maintain the current service levels in the community. In Fiscal Year 2006-07, the Police Department added five positions to serve the public and the Fire Department added seven positions. Six of the seven positions in the Fire Department were added to support a third ambulance.

Several significant projects in design or under construction over the next few years. These include:

- The **Alga Norte Park and Aquatic Center** consists of 30 acres in the Southeast Quadrant with planned amenities that include ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms and parking facilities, and an aquatic center. Construction is scheduled to begin in Fiscal Year 2007-08. The park is expected to cost \$15.9 million and the aquatic center is estimated at \$23.3 million. Funding to come from impact fees and the General Fund.


- The **Carlsbad Municipal Golf Course** is an 18-hole championship golf course on property located north of Palomar Airport Road along College Boulevard. The estimated costs for building and start up expenses are anticipated to be between \$50 - \$60 million. The project will include a 23,000 sq. ft. clubhouse and the total course length will be 6,850 yards. The project is to be funded with General Fund advances as well as tax exempt bonds.


- The 1<sup>st</sup> floor area of the existing **Senior Center** will be remodeled to include additional amenities for the senior community. These may include items such as an exercise room, art room, TV room, multi-purpose room, game room, health screening room and a computer room. The 2<sup>nd</sup> floor will be remodeled to house City offices. The estimated cost for the renovation is just under \$1.6 million and will be funded from Redevelopment bonds and the General Fund.



- A 20,000 square foot community facility and gymnasium are planned for the **Pine Park Community Center**. The facility will include basketball, volleyball, gymnastics, multi-purpose rooms, meeting rooms, a teen center and office space. Design of this \$9.0 million facility is expected to begin in the 2009-10 Fiscal Year. Funded by impact fees.
- Phase II of the 42-acre **Poinsettia Park Community Center** includes amenities such as a community facility/gymnasium, enclosed soccer field, tot lot, picnic areas, tennis complex including a clubhouse and stadium court, and additional parking. The total cost is expected to be approximately \$14.1 million. The construction of seven tennis courts are scheduled to begin in 2006-07 and the remainder of the project is expected to be completed in 2011-12. Funded by impact fees.

In addition to the projects listed above, there are several significant civic projects being planned for the City of Carlsbad. These projects include:

- The **Public Works Center** includes offices, shops, a yard, warehouse and parking to accommodate the Public Works Department. Initial estimates put the cost at approximately \$26.4 million.
- The **Public Safety Training Facility** project was authorized under Proposition C, which was approved in 2002. Preliminary design work is underway. The facility may include a fire training tower, residential training prop, outdoor seating pavilion, fire administration building with classroom and storage facilities, in addition to the shooting range.
- The **Library Learning Center** will provide a permanent location for the Adult Learning and the Centro de Información programs. The existing building adjacent to Holiday Park will be remodeled and a second story, approximately 5,000 square feet, will be added for a total cost of \$6.1 million.
- **Fire Station No. 3** is currently located at the corner of Chestnut and Catalina. As the City grows eastward, relocation of this station is needed to help ensure the five-minute response time. The new station is budgeted as a 6,200 square foot facility and the cost is projected at \$6.6 million.



### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carlsbad for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

This report has been a joint effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the accounting staff, especially Kevin Branca, Assistant Finance Director. I also appreciate the staff of McGladrey & Pullen, LLP for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them throughout this period. Additionally, I would like to thank the City Council and the City's Leadership Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Lisa Irvine', with a stylized, flowing script.

**LISA IRVINE**  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carlsbad,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



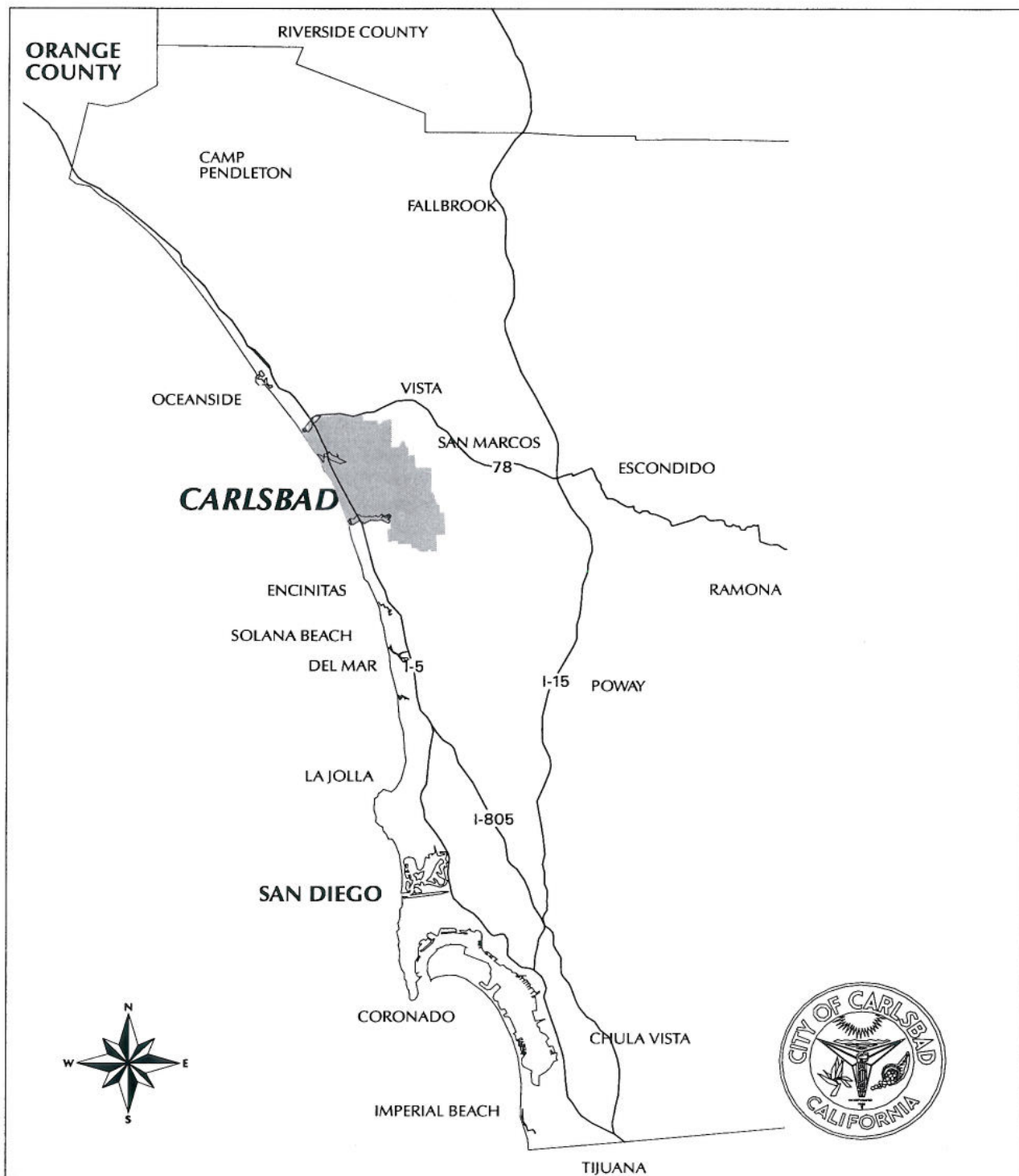
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director





## **CITY OF CARLSBAD**

### ***ELECTED CITY OFFICIALS***

Claude A. "Bud" Lewis, Mayor  
Matt Hall, Mayor Pro Tem  
Ann J. Kulchin, Council Member  
Mark Packard, Council Member  
Norine Sigafoose, Council Member

Lorraine M. Wood, City Clerk  
Harold "Mac" McSherry, City Treasurer

### ***ADMINISTRATION AND DEPARTMENT HEADS***

Raymond R. Patchett, City Manager  
Lisa Hildabrand, Assistant City Manager  
James F. Elliott, Administrative Services Director  
Glenn Pruim, Public Works Director  
Sandra Holder, Community Development Director  
Tom Zoll, Police Chief  
Kevin Crawford, Fire Chief  
Ron Ball, City Attorney

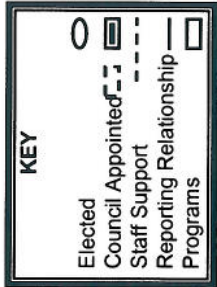
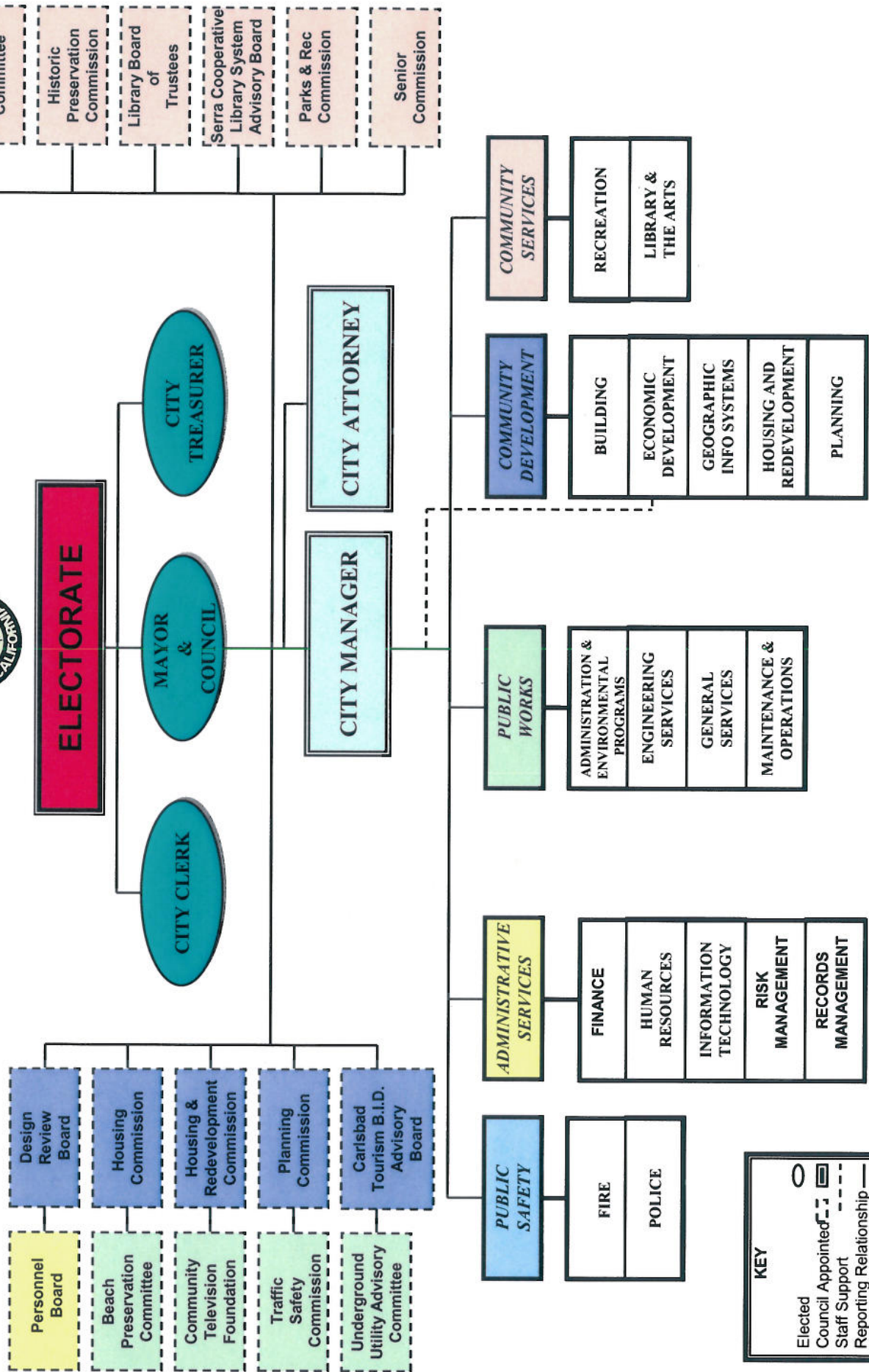
Julie Clark, Human Resources Director  
Conrad "Skip" Hammann, City Engineer  
Debbie Fountain, Housing & Redevelopment Director  
Mark Stone, Deputy Public Works Director, Maintenance and Operations  
Lisa Irvine, Finance Director  
Vacant, Planning Director  
Pat Kelley, Principal Building Inspector  
Heather Pizzuto, Library Director  
Erin Letsch, Risk Manager  
Ken Price, Recreation Director  
Greg Clavier, Public Works Manager, General Services  
Aletha L. Rautenkranz, Information Systems Director

### ***CHAIRPERSONS, COMMISSIONS AND BOARDS***

Gary Hill	Arts Commission
Richard Erhardt	Beach Preservation Committee
April Shute	Carlsbad Tourism Business Improvement District Board
Bob Bender	Community Television Foundation
Courtney Heineman	Design Review Board
Sue Ladouceur	Historic Preservation Commission
Edward Scarpelli	Housing Commission
Claude A. Lewis	Housing and Redevelopment Commission
Rob Swette	Library Board of Trustees
Jim Craig	Parks and Recreation Commission
Donald Martin	Personnel Board
Marty Montgomery	Planning Commission
Mike O'Connell	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Christine Petrou	Sister City Committee
Susan Gardner	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee



# CITY OF CARLSBAD ORGANIZATION CHART



## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
City of Carlsbad, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carlsbad's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the basic financial statements, the City retroactively applied the provisions of the Governmental Accounting Standards Board Statement No. 34 with respect to accounting and reporting for infrastructure capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Riverside, California  
October 5, 2006

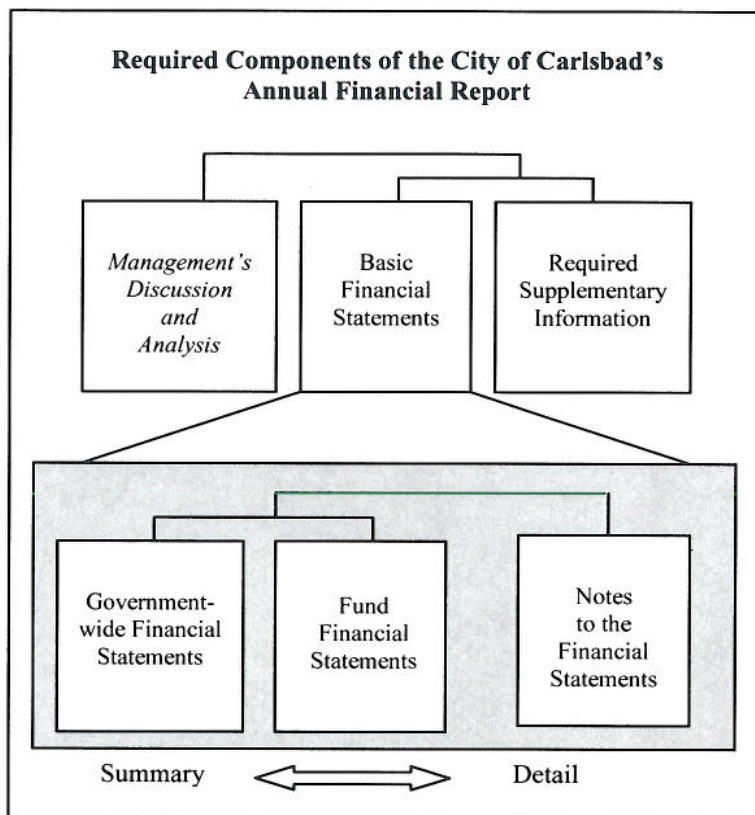
## Management's Discussion and Analysis

As management of the City of Carlsbad ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

### Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City's operations in *more detail* than the *Government-wide Statements*.
  - The *Governmental Funds Statements* detail how *general government services* such as public safety were financed in the *short term* as well as what remains for future spending.
  - *Propriety Fund Statements* offer *short- and long-term* financial information about the activities the City operates *like businesses*, such as the water and sewer services.
  - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are accompanied by *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide detail about our non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



## Government-wide Financial Statements

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's *net* assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City's water, sewer, and trash services are the primary business-type activities.

## Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants, while the City establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information.
  - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
  - We use *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, sewer, trash and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
  - We use *internal service funds* to report activities that provide services and supplies for the City's other programs and activities – such as fleet, self-insured benefits, and information technology.

- *Fiduciary funds* – These funds are used to account for situations where the City’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City’s Government-wide Financial Statements because the City cannot use these assets to finance its operations.

## **Financial Analysis of the City as a Whole**

### **Net Assets**

The City’s *combined* net assets as of June 30, 2006, as shown below, were \$1.3 billion. For Fiscal Years 2005 and 2006, the capital asset figure for governmental activities includes all of the City’s infrastructure assets, since the City has completed its inventory of infrastructure assets. Under GASB 34, the City had until Fiscal Year 2005-06 in which to complete a full accounting of its infrastructure. The Fiscal Year 2005 capital asset figure reflects a cumulative adjustment of \$221.7 million to beginning net assets to reflect this change in accounting principle.

The City’s net assets increased by \$69.3 million during the current fiscal year. Approximately 27% of this increase represents the degree to which increases in operating revenues have exceeded increases in operating expenses. Approximately 73% represents one-time capital grants and contributions received by the City for the purchase and acquisition of infrastructure and other capital assets.

<b>CITY OF CARLSBAD'S NET ASSETS</b> (in millions of dollars)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
Current and other assets	\$419.1	\$432.4	\$125.8	\$99.4	\$544.9	\$531.8
Capital assets	573.0	617.6	220.2	265.4	793.2	883.0
<b>Total assets</b>	<b>992.1</b>	<b>1,050.0</b>	<b>346.0</b>	<b>364.8</b>	<b>1,338.1</b>	<b>1,414.8</b>
Long-term debt outstanding	14.2	13.1	7.4	15.9	21.6	29.0
Other liabilities	23.6	23.0	13.2	13.8	36.8	36.8
<b>Total liabilities</b>	<b>37.8</b>	<b>36.1</b>	<b>20.6</b>	<b>29.7</b>	<b>58.4</b>	<b>65.8</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	558.4	604.1	213.1	249.4	771.5	853.5
Restricted	243.3	212.1	100.6	107.9	343.9	320.0
Unrestricted	152.6	197.7	11.7	(22.2)	164.3	175.5
<b>Total net assets</b>	<b>\$954.3</b>	<b>\$1,013.9</b>	<b>\$325.4</b>	<b>\$335.1</b>	<b>\$1,279.7</b>	<b>\$1,349.0</b>
						<b>5.4%</b>

As noted earlier, net assets may serve over time as a useful indicator of the City’s financial position. For the City of Carlsbad, assets currently exceed liabilities by \$1.3 billion at the close of the most recent fiscal year.

A large portion of the City’s net assets (61%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves usually won’t be used to liquidate these liabilities.

An additional portion of the City’s net assets (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$175.5 million) may be used to meet the government’s ongoing obligations to citizens and creditors.



Just under 60% of the \$197.7 million in unrestricted governmental activities net assets is attributable to the General Fund. Unrestricted net assets for the City's business-type activities decreased by \$33.9 million during the 2005-06 Fiscal Year. This was the result of the construction of the City's municipal golf course, which at this point, is financed completely by an advance from the General Fund.

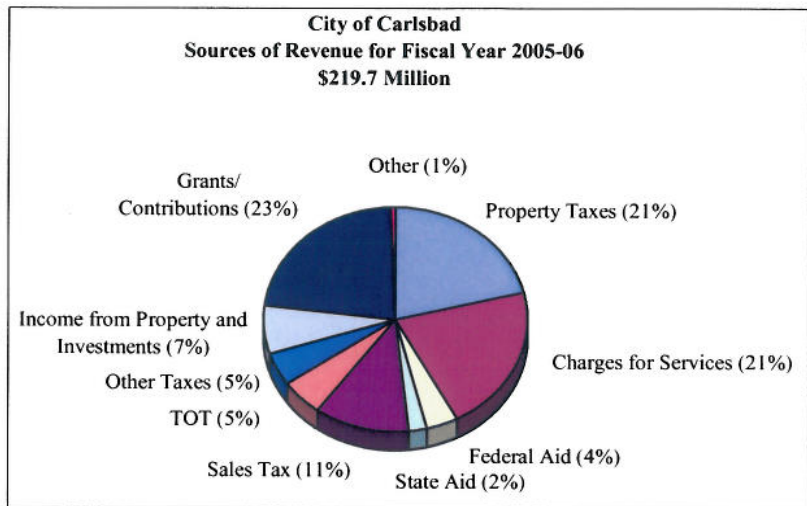
### Changes in Net Assets

The condensed summary of activities, which follows, shows that net assets increased by \$63.8 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net assets: an emphasis on efficiencies resulting in a reduction in expenses/expenditures, \$14 million in "savings" in the General Fund being carried forward into the new fiscal year by various major service areas within the City to enhance and provide for future services and programs, the build-up of cash reserves in the City's capital project and enterprise funds for future capital project construction and acquisition, revenues received in the City's special revenue funds for future services and programs, and the donation of infrastructure assets from developers.

CITY OF CARLSBAD'S CHANGES IN NET ASSETS (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06
<b>Revenues</b>							
Program revenues							
Charges for services	\$17.0	\$18.1	\$27.5	\$28.2	\$44.5	\$46.3	4.0%
Operating grants and contributions	12.8	12.1	0.5	0.7	13.3	12.8	-3.8%
Capital grants and contributions	74.4	39.3	17.1	11.2	91.5	50.5	-44.8%
General revenues							
Property taxes	41.5	43.9	2.0	2.3	43.5	46.2	6.2%
Sales and use taxes	24.7	25.4	-	-	24.7	25.4	2.8%
Other taxes	20.4	21.9	-	-	20.4	21.9	7.4%
Income from property and investments	9.9	11.7	4.2	3.5	14.1	15.2	7.8%
Other	2.4	1.3	0.6	0.1	3.0	1.4	-53.3%
<b>Total revenues</b>	<b>203.1</b>	<b>173.7</b>	<b>51.9</b>	<b>46.0</b>	<b>255.0</b>	<b>219.7</b>	<b>-13.8%</b>
<b>Expenses</b>							
General government	11.3	15.4	-	-	11.3	15.4	36.3%
Public safety	34.4	35.8	-	-	34.4	35.8	4.1%
Community development	14.4	14.3	-	-	14.4	14.3	-0.7%
Community services	16.0	16.8	-	-	16.0	16.8	5.0%
Public works	22.1	36.0	-	-	22.1	36.0	62.9%
Interest on long-term debt	1.0	1.0	-	-	1.0	1.0	0.0%
Carlsbad Municipal Water District	-	-	21.4	24.1	21.4	24.1	12.6%
Sewer	-	-	7.2	8.3	7.2	8.3	15.3%
Other business-type activities	-	-	1.5	4.2	1.5	4.2	180.0%
<b>Total expenses</b>	<b>99.2</b>	<b>119.3</b>	<b>30.1</b>	<b>36.6</b>	<b>129.3</b>	<b>155.9</b>	<b>20.6%</b>
Excess (deficiency) before transfers	103.9	54.4	21.8	9.4	125.7	63.8	-49.2%
Transfers	-	(0.3)	-	0.3	-	-	-100.0%
<b>Increase (decrease) in net assets</b>	<b>103.9</b>	<b>54.1</b>	<b>21.8</b>	<b>9.7</b>	<b>125.7</b>	<b>63.8</b>	<b>-49.2%</b>
Beginning net assets	855.9	959.8	303.6	325.4	1,159.5	1,285.2	10.8%
<b>Ending net assets</b>	<b>\$959.8</b>	<b>\$1,013.9</b>	<b>\$325.4</b>	<b>\$335.1</b>	<b>\$1,285.2</b>	<b>\$1,349.0</b>	<b>5.0%</b>

Just under 53% of the revenues of the City's governmental funds are generated through taxes collected (property, sales, transient occupancy tax, etc.), and just under 61% of the City's business-type revenue is generated through charges for services. The following chart graphically depicts the City's revenue sources.

The large decrease in capital grants and contributions is the result of acquiring a portion of Poinsettia Lane and the other associated improvements last fiscal year. Interest earned by the General Fund on a \$30.3 million advance from the City's General Fund to the Golf Course Fund contributed to the 7.8% increase in income from property and investments for the year.



The total cost of all programs and services was just under \$156 million in Fiscal Year 2005-06. The City's expenses cover a range of services:

- General Government (10%)

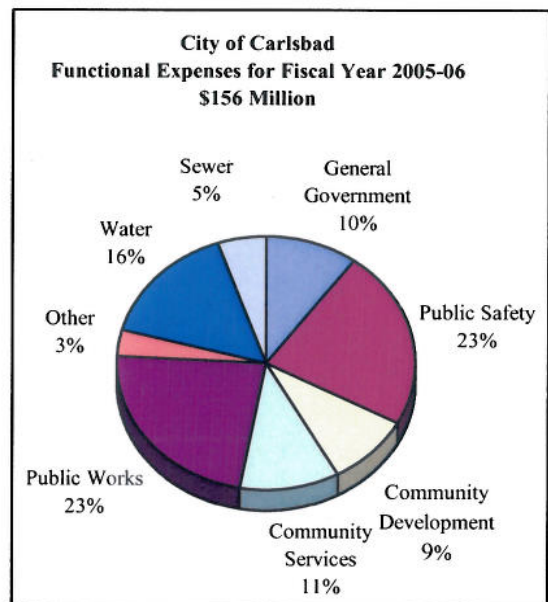
This segment of the City is divided into two major groups, the Policy and Leadership group and the Administrative Services group. The Policy and Leadership group encompasses all elected officials and the chief executive offices for the City. The Administrative Services group includes Finance, Human Resources, Information Technologies, Risk and Records Management.

- Public Safety (23%)

Public Safety has always been a top City Council priority. The major service area includes the Police Department, whose goal is to provide quality service to the community to ensure the preservation of life and property and the maintenance of law and order. The Fire Department is also part of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and our environment.

- Community Development (9%)

The mission of Community Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for diverse housing and employment, and maintaining a strong economic base. Community Development encompasses the Hiring Center, Geographic Information Systems (GIS), Economic Development, Community Promotion, Land Use Planning, Housing and Redevelopment, and Building Inspection.





- Community Services (11%)

Community Services consist of the Libraries, Cultural Arts, Recreation, Park Planning, and Senior Citizen programs. These programs are provided to a wide range of people and assist in their education and cultural development.

- Public Works (23%)

Public Works is responsible for building and maintaining all of the infrastructure assets of the City. This service area includes Engineering, Parks, Streets, Medians, Street Trees, the Buena Vista Channel, and Facilities Maintenance, Building Maintenance, Street Lighting and Traffic Sign and Signal Maintenance programs.

- Water Operations (16%)

The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable water service to approximately 85% of the City (80,800 customers). The District purchases 100% of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Sewer Operations (5%)

The City of Carlsbad operates and maintains a sanitary sewer collection system, which covers approximately 65% of the geographic area of the City. Sewage is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the Cities of Carlsbad and Vista, the Leucadia County Water District, the Vallecitos Water District, the Buena Vista Sanitation District, and the Encinitas Sanitary District.

- Other Expenses (3%)

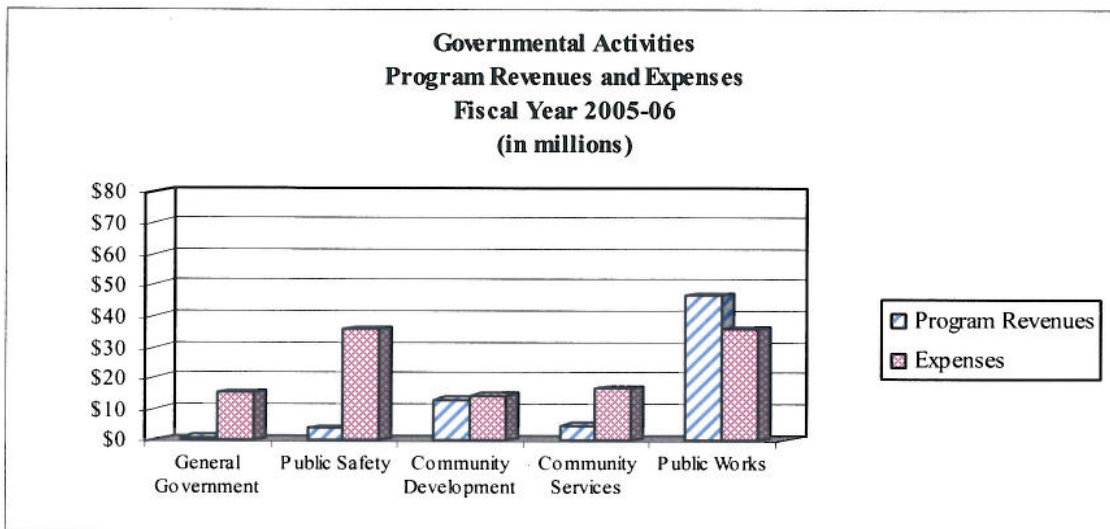
Other expenses include costs associated with the City's Solid Waste division, the City's Storm Water Protection Program, development of a municipal golf course, and interest expense of the City's long-term debt that is associated with governmental activities.

The following sections will provide information about the operations of the governmental and business-type activities separately.

### **Governmental Activities**

The increase in net assets for *governmental* activities was \$54.1 million. This increase was generated by total revenues of *governmental* activities of \$173.7 million (\$69.5 million in program revenues and \$104.2 million in general revenues) offset by \$119.3 million in total costs of *governmental* activities and \$315,000 in transfers out.

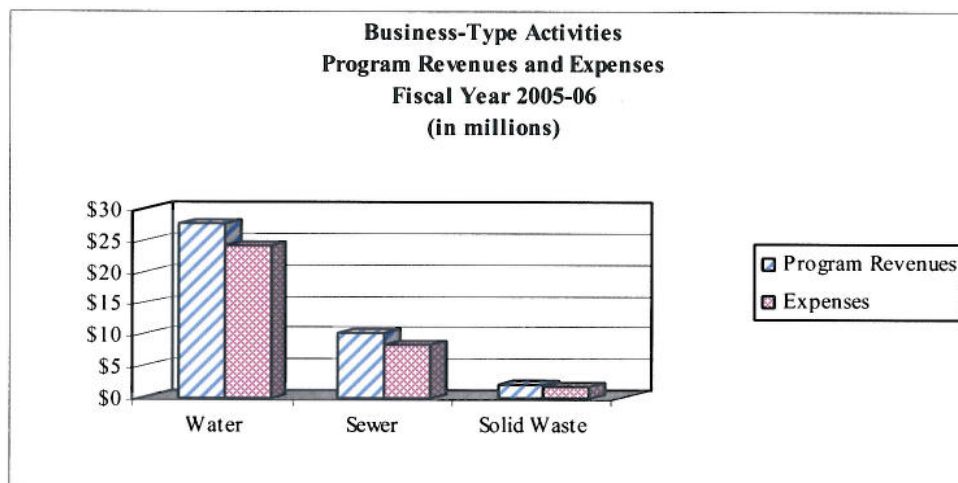
The following table presents the total cost of each of the City's major programs, as well as each function's program revenue (fees generated by the activities, contributions, and intergovernmental aid). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was placed on the City's taxpayers by each of these functions (costs covered by general revenues).



Revenues are generated through several sources to cover the cost of the City's programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$18.1 million), grants and contributions from other governments and organizations which subsidize certain programs (\$51.4 million), and taxes and other revenues (such as income from property and investments and vehicle license fees) received by the City to pay for the "public benefit" portion, totaling \$104.2 million.

Program revenues exceed expenses in Public Works. The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses) that have not yet been constructed. Capital assets are generally constructed or purchased once sufficient revenue has been accumulated to pay for the cost. The City is currently in a developing or growing stage, and master plans are continuing to be designed to construct these new facilities, roads, parks, and other City-owned infrastructure.

#### Business-Type Activities



Program revenues for the City's business-type activities totaled \$40.1 million for the year, while functional expenses equaled \$36.6 million. The City golf course is currently under construction, so the program revenues and functional expenditures are still minimal, and therefore not shown on the graph above. The course is expected to open in July 2007.



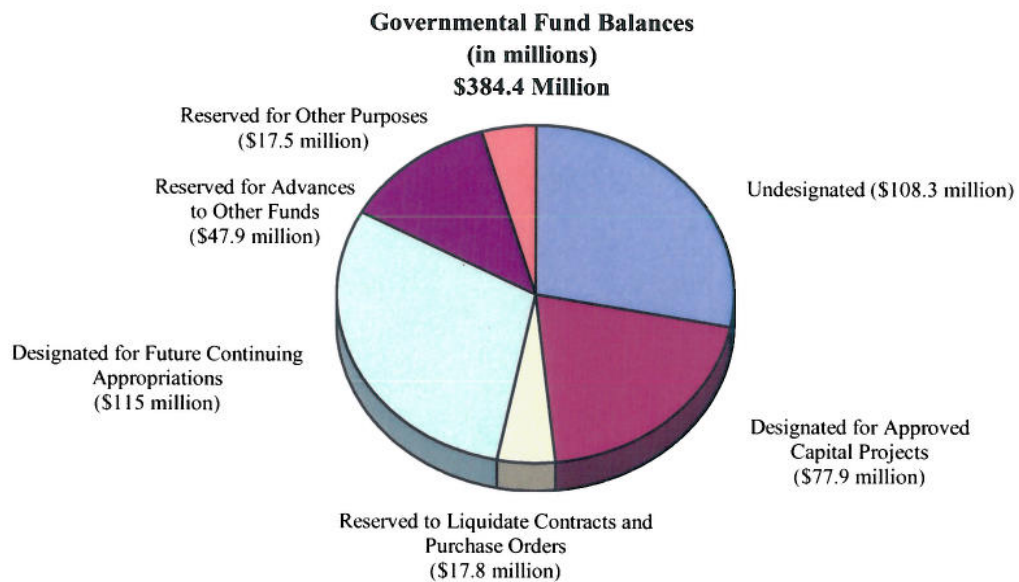
Program revenues are higher than program expenses primarily due to capital contributions in the form of capital connection fees, developer constructed assets donated to the City, and Federal and State capital construction grants earmarked to help fund the Recycled Water facilities. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses). In addition, a small portion of the annual surplus is set aside for rate stabilization and unanticipated events.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current CAFR, one change was made in the reporting of special revenue funds. This change was to reclassify the Carlsbad Tourism Business Improvement District from a special revenue fund to an agency fund.

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$384.4 million, an increase of \$10 million in comparison with the prior year. Approximately 28% of this amount (\$108.3 million) constitutes undesignated fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. The remainder of the fund balance is reserved or designated to indicate that it is not available because it has already been committed (1) for future capital projects - 20%, (2) to liquidate contracts and purchase orders of the prior period - 5%, (3) for future programs - 30%, (4) advances to other funds - 12% or (5) for a variety of other restricted purposes - 5%.

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in millions of dollars)				
	Total		Increase (Decrease)	Total Percentage Change
	2005	2006	2005-06	
<b>Revenues</b>				
Taxes	\$75.0	\$87.2	\$12.2	16.3%
Intergovernmental	9.8	1.1	(8.7)	-88.8%
Licenses and permits	3.4	2.5	(0.9)	-26.5%
Charges for services	8.0	7.8	(0.2)	-2.5%
Income from property and investments	3.0	2.4	(0.6)	-20.0%
Interdepartmental charges	2.6	2.6	0.0	0.0%
Miscellaneous	2.0	2.4	0.4	20.0%
<b>Total revenues</b>	<b>103.8</b>	<b>106.0</b>	<b>2.2</b>	<b>2.1%</b>
<b>Expenses</b>				
General government	11.3	16.1	4.8	42.5%
Public safety	33.6	36.2	2.6	7.7%
Community development	7.0	7.1	0.1	1.4%
Community services	14.6	15.4	0.8	5.5%
Public works	16.4	18.0	1.6	9.8%
<b>Total expenses</b>	<b>82.9</b>	<b>92.8</b>	<b>9.9</b>	<b>11.9%</b>
Excess (deficiency) before transfers	20.9	13.2		
Transfers	(5.6)	(6.0)		
<b>Increase (decrease) in fund balance</b>	<b>15.3</b>	<b>7.2</b>		
Beginning fund balance	84.1	99.4		
<b>Ending fund balance</b>	<b>\$99.4</b>	<b>\$106.6</b>		

The General Fund is the main operating fund of the City, and at the end of the fiscal year had a total fund balance of \$106.6 million, an increase of \$7.2 million. The unreserved fund balance portion of the General Fund was \$61.5 million, of which \$14 million was designated for future programs and service enhancements.

The increase in revenues was primarily due to two factors: the effects of a strong housing market on property and transfer taxes and continued strength in the tourism industry (higher transient occupancy tax). The largest factor in the decrease of intergovernmental revenues can be attributed to the fact that the State has reallocated property taxes for Vehicle License Fees (VLF). Thus, instead of receiving \$6.2 million in VLF, the City

received additional property taxes in an equal amount.

The increase in General Fund expenditures were driven by the following factors:

- Normal salary and benefit increases.
- PERS rates for the miscellaneous plan increased from 16.664% to 20.869%, and rates for the safety plan increased from 27.573% to 27.927% for a total impact of \$2.8 million.
- Significant costs to repair severe damage caused by the heavy rains from the 2005 winter storms.
- The purchase of a fire ladder truck.
- The purchase of a new radio frequency identification system in the City's libraries.

One major governmental fund, the Redevelopment Debt Service Fund, had a negative fund balance of just under \$12.6 million. This deficit was created when the City's General Fund loaned the agency money to cover debt service charges during the period soon after the agency's bonds were issued, but prior to the agency being able to support the debt service with property tax increment revenues alone. The agency has begun to repay the \$13.1 million advance back to the City's General Fund, as the tax increment collected within the redevelopment area grows.

Of the six remaining major governmental funds, three funds saw their fund balances decline during the fiscal year. The Assessment and Other Districts Funds purchased several large infrastructure assets including Poinsettia Lane, College Blvd. and Cannon Road. The Public Facilities Construction Fund financed several large projects including Aviara Community Park and Pine Avenue Park during Fiscal Year 2005-06. The Rancho Santa Fe Road Project fund had a decrease in fund balance due to the near completion of construction of this major arterial roadway in the City of Carlsbad.

Two of the five remaining major governmental funds, which are all capital project funds, had increases in their fund balances during the year. These increases in fund balances are all designated for the construction or purchase of future capital assets.



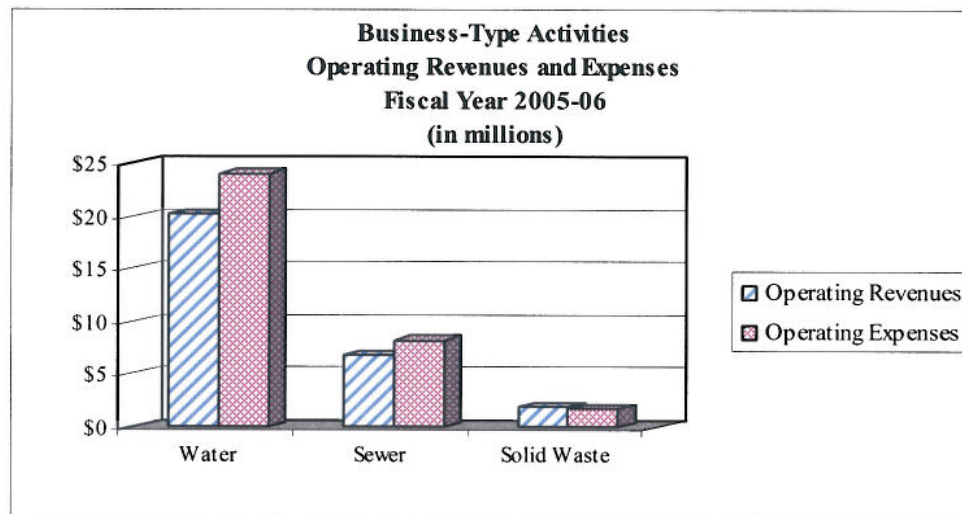
## Proprietary Funds

The purpose of the City's proprietary funds is to provide short and long-term financial information about the City's business-type activities. The analysis focuses on the determination of operating income, changes in net assets (cost recovery), financial position, and cash flows.

The Carlsbad Municipal Water District Funds had an operating loss of approximately \$4.0 million for the year. Increased fixed and variable costs from Metropolitan Water District and County Water Authority (suppliers of the City's potable water), as well as increased depreciation expense due to newly constructed infrastructure assets, added to the operating loss for the year. In addition, the Carlsbad Water Recycling Facility became operational, resulting in increased operating costs of that facility. Non-operating revenues (primarily property tax and investment earnings) offset the majority of the operating loss, resulting in a net loss of approximately \$350,000.

The Sewer Funds had an annual operating loss of approximately \$1.1 million for the fiscal year. Total revenues from operations increased 6% from the previous year; however, higher sewer plant operating costs led to an operating loss for the year. Staffing costs rose 13.4% due to normal salary increases and increases in retirement and healthcare costs. In addition, there were higher outside services and maintenance expenditures related to the rehabilitation and repair of sewer lines and pump stations. Non-operating revenue (investment earnings) more than offset the operating loss, resulting in a slight gain of \$41,000 for the year.

Solid Waste operations and the Storm Water Protection Program are combined on the City's financial reports. Revenues decreased in the current year by approximately 19%. Non-jurisdictional fees paid by the City's solid waste franchisee for their impact on City streets, are now recorded in a capital project fund versus the Solid Waste Fund. Operating costs increased 15% due to inflationary increases, the expansion of the Storm Water Protection Program and enhanced Solid Waste and recycling efforts.



The new municipal golf course is under construction and planned funding includes a combination of a loan from the General Fund and future bonds. The loan from the City and the proposed bond proceeds will be repaid through user fees and other revenues of the golf course.

Unrestricted net assets for the Water, Sewer, and Solid Waste operations at the end of the year amounted to \$9.5 million, or approximately 3% of the net assets of these proprietary funds. These assets will be used for future rate stabilization efforts as well as for any emergency situation. Approximately 32% of the net assets of all the proprietary funds are restricted for future capital construction of new and replacement water and sewer infrastructure assets. The Golf Course Fund has a negative unrestricted net asset balance of \$31.8 million. This is the result of internal financing (General Fund advance) of the construction of the new municipal golf course. This advance will be repaid to the General Fund in the future.

### **General Fund Budgetary Highlights for Fiscal Year 2006**

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the City. Estimated revenues were decreased during this year by \$1.7 million to reflect the net effect of the following changes:

- The impacts on TOT from continued strength in the tourism industry.
- A slow down in the sale of new automobiles, affecting the City's sales tax revenues.
- Reimbursements received from FEMA and OES for assistance with the 2005 winter storm damage.
- Additional miscellaneous revenues received due to energy rebates, police work at special events, and additional contributions from property owners for studies, projects and public improvements.

The increase from the total original expenditure budget to the final budget amounted to \$3 million, due predominantly to:

- Local emergency repair work from winter storms.
- Appropriating funds received from developers during the year for developer-funded studies.
- Budgeted expenditures associated with new grant revenues.
- Appropriating donations received.
- Transfer of tree maintenance personnel from the Street Tree Special Revenue Fund to the Parks Department within the General Fund.
- Interim tourism contracts prior to the formation of the Carlsbad Business Improvement District.

The difference between the final budgeted expenditures and the actual expenditures for the year on a budgetary basis of \$16.3 million can be generally summarized as follows:

- \$14 million in "savings" by the various major service areas within the City. Current year savings were generated from:
  - Unfilled vacancies.
  - Overall awareness of fiscal responsibility throughout the City.
  - Deferral of projects.
- ❖ \$14 million in "savings" are planned to be used for:
  - ⇒ Additional technology and software upgrades at the City's libraries, and in Finance, Human Resources, Fire and Public Works Departments.
  - ⇒ Upcoming "Futuring Conference."
  - ⇒ Upcoming renovation costs resulting from the purchase of the former Carlsbad Unified School District building adjacent to the Senior Center.
  - ⇒ Expected upgrade of the Senior Center.
  - ⇒ Projected future park and public pool improvements.
  - ⇒ Future Police communication improvements including the replacement of the 800 MHz system, new radios and a mobile command post.
  - ⇒ Anticipated enhanced citywide street maintenance including additional concrete and asphalt repairs.
  - ⇒ Anticipated costs associated with updating the City's General Plan and Local Coastal Program, and revising the associated Municipal Code.
- \$2.3 million in unspent major capital outlay appropriations was not carried forward, as well as any remaining balances from programs with a one-year life cycle.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31; actual expenditures have been adjusted to include remaining encumbrances, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements.



## **Capital Asset and Debt Administration**

### **Capital Assets**

At the end of Fiscal Year 2006, the City had recorded an investment of just over \$883 million in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which were added per GASB 34 requirements.

<b>CITY OF CARLSBAD'S CAPITAL ASSETS</b> (in millions of dollars)								
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Change</b>	<b>Total Percentage Change</b>
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005-06</b>	<b>2005-06</b>
Land	\$124.2	\$128.6	\$8.7	\$8.7	\$132.9	\$137.3	\$4.4	3.3%
Buildings and other structures	69.2	69.5	16.2	16.9	85.4	86.4	1.0	1.2%
Improvements other than buildings	17.6	28.3	5.6	5.6	23.2	33.9	10.7	46.1%
Machinery and equipment	21.9	23.0	1.5	1.5	23.4	24.5	1.1	4.7%
Infrastructure	402.3	409.7	159.7	169.6	562.0	579.3	17.3	3.1%
Construction in progress	72.2	101.4	40.3	76.9	112.5	178.3	65.8	58.5%
Sewage treatment facility	-	-	40.3	42.8	40.3	42.8	2.5	6.2%
	707.4	760.5	272.3	322.0	979.7	1,082.5	102.8	10.5%
Accumulated depreciation	(128.9)	(142.9)	(52.1)	(56.6)	(181.0)	(199.5)	(18.5)	10.2%
<b>Total</b>	<b>\$578.5</b>	<b>\$617.6</b>	<b>\$220.2</b>	<b>\$265.4</b>	<b>\$798.7</b>	<b>\$883.0</b>	<b>\$84.3</b>	<b>10.6%</b>

This year's major capital asset additions included:

- Aviara Community Park
- Recycled Water Flow Equalization Facility
- Buena Vista Lift Station
- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights
- Construction of the municipal golf course
- Construction of Pine Avenue Park
- Development of the Coastal Rail Trail
- Acquisition of the easterly extension of Poinsettia Lane, easterly extension of Cannon Road and the southerly extension of College Avenue
- Continued development of Rancho Santa Fe Road
- Installation of synthetic turf at Stagecoach Park

In addition to carrying forward appropriations of \$143.7 million for previously budgeted projects, the City's Fiscal Year 2006-07 capital budget appropriates an additional \$48.8 million for capital projects. These additional appropriations are principally for construction of the golf course, park development, relocation of an existing fire station, expansion of the library learning center, the pavement management program, street projects, enhancing the sewer collection system, additional water lines, traffic signals, and miscellaneous civic projects, loans and repayments. These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and sewer replacement reserves, and other sources including grants and contributions from other agencies. More detailed information about the City's capital assets is presented in Note 6 to the financial statements and in the City's Capital Improvement Program document, which can be obtained from the Finance Department.

## Long-Term Debt

At year-end, the City had \$31.1 million in bonds, certificates of participation, loans and agreements, an increase of \$7.9 million from last year, as shown in the table below. The increase in debt is attributable to additional loans made by the State Water Resources Control Board to the Carlsbad Municipal Water District for construction of the new recycled water facility. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

CITY OF CARLSBAD'S OUTSTANDING DEBT (in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06
Bonds	\$12.5	\$12.1	\$0.0	\$0.0	\$12.5	\$12.1	-3.2%
Certificates of participation	2.7	2.1	-	-	2.7	2.1	-22.2%
Loans	-	-	1.2	10.6	1.2	10.6	783.3%
Installment purchase agreement	-	-	7.3	6.7	7.3	6.7	-8.2%
Less: Deferred charges	-	-	(0.5)	(0.4)	(0.5)	(0.4)	-20.0%
<b>Total</b>	<b>\$15.2</b>	<b>\$14.2</b>	<b>\$8.0</b>	<b>\$16.9</b>	<b>\$23.2</b>	<b>\$31.1</b>	<b>34.1%</b>

## Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2007

- The State of California adopted its 2006-07 annual budget with the following provisions affecting the City:
  - The City will no longer be required to make a \$1.8 million "contribution" to the State in the 2006-07 Fiscal Year.
  - The State implemented the "Triple Flip" in Fiscal Year 2004-05, whereby the City's sales tax receipts were reduced by one-quarter, and this reduction was made up with property taxes equating to the same amount. This will continue in the 2006-07 Fiscal Year.
  - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the City receives, but it will result in a delay in the timing of the receipt of money by the City.
- Net assessed values in the City stand at almost \$20.7 billion, almost double what they were just five years ago.
- PERS rates for the miscellaneous plan have decreased for the 2006-07 Fiscal Year from 20.869% to 19.810%, and have decreased from 27.927% to 27.572% for the safety plan. The decrease in rates is a reflection of a recently implemented rate stabilization policy adopted by PERS to smooth future PERS rates.
- Retail natural gas prices have stabilized during the past fiscal year, creating a minimal impact on the City's future franchise fee revenue.
- The Consumer Price Index (CPI) for the western region of the United States for urban households increased by 3.1% during the twelve months ended November 30, 2005.
- The total number of housing units in Carlsbad grew by 3.4% in Calendar Year 2005, impacting our budgeted expenditures for Fiscal Year 2006-07.
- Median home prices in Carlsbad have increased by 5.7% in Calendar Year 2005 to \$748,000.
- The Federal Reserve has raised interest rates 17 times since June of 2004, impacting residential development within the City.

All of these factors were considered when preparing the City of Carlsbad's General Fund budget for the 2006-07 Fiscal Year. Budgeted expenditures are expected to increase 9% to \$106.4 million. The increase is mainly due to an increase in the number of positions and other personnel costs. Personnel costs make up approximately 65% of the General Fund budget so any changes in these costs can have a significant effect on the total budget. In addition, the annual transfer to the Infrastructure Replacement Fund is being increased by \$2.7 million, to a total of \$7.2 million. Adding to the adopted budget of \$106.4 for the General Fund, just under \$14 million in unspent 2005-06 budgeted expenditures will be carried over to the 2006-07 Fiscal Year, as well as \$4.6 million in open encumbrances as of June 30, 2006.



As the City is approaching the build out of its remaining vacant land, the City is now ushering in a new era focusing on maintaining the City's infrastructure rather than building it. In an effort to address this issue, the City has developed an Infrastructure Replacement Fund (IFR). With this fund, the City sets aside money on an annual basis for major maintenance and replacement of its infrastructure. In the 2006-07 Operating Budget, the City has budgeted a \$7.2 million transfer from the General Fund to the IFR, an increase of \$2.7 million from the prior fiscal year, to meet our future needs.

During the current fiscal year, the unreserved fund balance in the General Fund increased to \$47.5 million due to the City of Carlsbad's fiscal discipline and a diverse economy. If the City's budget estimates are realized, the City's budgeted unreserved General Fund balance is expected to increase modestly by the close of Fiscal Year 2007.

With the exception of the Public Facilities Construction Fund (PFF), there are sufficient revenues projected to build the projects listed in the 2006-07 Capital Improvement Program (CIP). A large increase in the cost of construction materials has occurred over the past three years, pushing up the cost of all of the City's projects. Although the City is considering various options to address the future funding of projects in the PFF, \$12 million is forecasted to be loaned to the PFF from the General Capital Construction Fund in Fiscal Year 2006-07. This will allow projects to be constructed from this funding source while the City evaluates the future options for this fund.

The City's business-type activities reflect the following:

- Water rates will be increasing by 5.0% in Fiscal Year 2006-07.
- Sewer rates will be increasing by 8.5% in Fiscal Year 2006-07.
- No projected significant changes in other revenue sources.
- The Recycled Water Operations Fund budget reflects a 39% increase, or \$1,039,000, to fund costs associated with the new treatment plant: operations, depreciation expense, and debt service on a loan from the State.
- Other changes in the Enterprise funds are the result of inflation, depreciation increases due to expanding infrastructure, and increased costs for maintenance and repair of the City's infrastructure.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, 1635 Faraday Avenue, Carlsbad, CA 92008, (760) 602-2430, or visit us online at [www.carlsbadca.gov](http://www.carlsbadca.gov).





**CITY OF CARLSBAD**

**Statement of Net Assets  
June 30, 2006**

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 372,576,531	\$ 130,016,590	\$ 502,593,121
Receivables:			
Taxes	5,936,014	27,486	5,963,500
Accounts, net	480,706	4,082,681	4,563,387
Other	202,595	-	202,595
Due from other governments	709,340	1,440,376	2,149,716
Inventories	215,441	552,090	767,531
Prepaid items	332,760	-	332,760
Loan and reimbursement receivables	13,112,974	437,510	13,550,484
Restricted assets:			
Cash and investments	659,500	953,706	1,613,206
Accrued interest	-	21,300	21,300
Internal balances	38,118,520	(38,118,520)	-
Capital assets:			
Land	128,582,931	8,663,600	137,246,531
Buildings and other structures	69,476,635	16,941,971	86,418,606
Improvements other than buildings	28,273,684	5,556,571	33,830,255
Machinery and equipment	23,073,418	1,475,229	24,548,647
Infrastructure	409,728,105	169,637,849	579,365,954
Construction in progress	101,370,353	76,912,553	178,282,906
Sewage treatment facility	-	42,809,292	42,809,292
Less accumulated depreciation	(142,877,215)	(56,603,556)	(199,480,771)
Total capital assets	617,627,911	265,393,509	883,021,420
<b>Total assets</b>	<b>\$ 1,049,972,292</b>	<b>\$ 364,806,728</b>	<b>\$ 1,414,779,020</b>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets (Continued)  
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accrued liabilities	\$ 12,467,878	\$ 6,281,065	\$ 18,748,943
Accrued interest payable	252,127	182,918	435,045
Due to other governments	4,198,701	4,915,825	9,114,526
Estimated claims payable	4,127,834	-	4,127,834
Deposits payable	199,890	534,055	733,945
Current liabilities payable from restricted assets - accrued interest	-	143,992	143,992
Deferred revenue	666,431	800,674	1,467,105
Current portion of long-term debt	1,090,703	993,382	2,084,085
Noncurrent liabilities:			
Due in more than one year, net of deferred charges and unamortized issuance costs of \$437,443	13,080,000	15,891,555	28,971,555
<b>Total liabilities</b>	<b>36,083,564</b>	<b>29,743,466</b>	<b>65,827,030</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	604,116,708	249,462,278	853,578,986
Restricted for:			
Capital assets	172,473,473	107,841,010	280,314,483
Affordable, low and moderate income housing	27,453,435	-	27,453,435
Habitat and agricultural mitigation management	7,041,515	-	7,041,515
Other purposes	5,131,421	-	5,131,421
Unrestricted	197,672,176	(22,240,026)	175,432,150
<b>Total net assets</b>	<b>\$ 1,013,888,728</b>	<b>\$ 335,063,262</b>	<b>\$ 1,348,951,990</b>

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 15,382,334	\$ 945,047	\$ 1,113,994	\$ (1,111,525)
Public safety	35,822,457	3,611,524	285,408	21,690
Community development	14,332,329	4,676,899	7,674,290	895,077
Community services	16,789,555	2,436,657	825,731	1,510,100
Public works	35,937,039	6,450,812	2,216,485	37,970,512
Interest and fiscal charges on long-term debt	1,036,061	-	-	-
<b>Total governmental activities</b>	<b>119,299,775</b>	<b>18,120,939</b>	<b>12,115,908</b>	<b>39,285,854</b>
Business-type activities:				
Carlsbad Municipal Water District	24,124,143	19,462,185	688,961	7,593,789
Golf course	2,470,778	-	-	-
Sewer	8,264,520	6,800,918	-	3,618,992
Solid waste	1,699,120	1,892,746	29,214	-
<b>Total business-type activities</b>	<b>36,558,561</b>	<b>28,155,849</b>	<b>718,175</b>	<b>11,212,781</b>
<b>Total primary government</b>	<b>\$ 155,858,336</b>	<b>\$ 46,276,788</b>	<b>\$ 12,834,083</b>	<b>\$ 50,498,635</b>
General revenues:				
Property taxes				
Sales and use taxes				
Transient occupancy taxes				
Franchise taxes				
Business license taxes				
Real property transfer taxes				
Vehicle license fees				
Homeowners exemptions				
Income from property and investments				
Other general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year (as restated)				
Net assets at end of year				

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense) and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (14,434,818)	\$ -	\$ (14,434,818)
(31,903,835)	-	(31,903,835)
(1,086,063)	-	(1,086,063)
(12,017,067)	-	(12,017,067)
10,700,770	-	10,700,770
(1,036,061)	-	(1,036,061)
(49,777,074)	-	(49,777,074)
-	3,620,792	3,620,792
-	(2,470,778)	(2,470,778)
-	2,155,390	2,155,390
-	222,840	222,840
-	3,528,244	3,528,244
(49,777,074)	3,528,244	(46,248,830)
43,936,095	2,257,124	46,193,219
25,429,074	-	25,429,074
11,512,552	-	11,512,552
5,429,311	-	5,429,311
3,039,678	-	3,039,678
1,905,842	-	1,905,842
587,179	-	587,179
371,640	-	371,640
11,681,912	3,538,004	15,219,916
278,824	56,223	335,047
(315,215)	315,215	-
103,856,892	6,166,566	110,023,458
54,079,818	9,694,810	63,774,628
959,808,910	325,368,452	1,285,177,362
\$ 1,013,888,728	\$ 335,063,262	\$ 1,348,951,990



## CITY OF CARLSBAD

## Balance Sheet

## Governmental Funds

June 30, 2006

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
<b>ASSETS</b>				
Cash and investments	\$ 64,420,482	\$ 1,524,825	\$ 26,436,794	\$ 49,561,783
Receivables:				
Taxes	5,763,301	135,490	-	1
Other	61,073	1,471	36,270	-
Accounts, net	403,211	-	-	-
Due from other funds	-	-	-	-
Due from other governments	62,875	-	-	-
Inventories	19,568	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	-	-	-	-
Loans receivable	124,417	-	-	-
Deposits	-	-	-	-
Advances to other funds	52,981,823	-	-	-
<b>Total assets</b>	<b>\$ 123,836,750</b>	<b>\$ 1,661,786</b>	<b>\$ 26,473,064</b>	<b>\$ 49,561,784</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accrued liabilities	\$ 4,342,870	\$ -	\$ 4,424	\$ 20,243
Due to other funds	-	-	-	-
Deposits payable	71,618	-	-	-
Due to other governments	2,284	2,680	-	-
Advances from other funds	-	14,232,552	-	-
Deferred revenue	12,795,248	-	-	-
<b>Total liabilities</b>	<b>17,212,020</b>	<b>14,235,232</b>	<b>4,424</b>	<b>20,243</b>
Fund balances:				
Reserved	45,131,308	-	7,936	99,796
Unreserved:				
Designated, reported in:				
General Fund	13,974,339	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	26,460,704	49,441,745
Undesignated, reported in:				
General Fund	47,519,083	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	(12,573,446)	-	-
Capital Project Funds	-	-	-	-
<b>Total fund balances</b>	<b>106,624,730</b>	<b>(12,573,446)</b>	<b>26,468,640</b>	<b>49,541,541</b>
<b>Total liabilities and fund balances</b>	<b>\$ 123,836,750</b>	<b>\$ 1,661,786</b>	<b>\$ 26,473,064</b>	<b>\$ 49,561,784</b>

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total Governmental Funds
\$ 50,920,111	\$ 39,082,547	\$ 16,801,496	\$ 102,365,050	\$ 351,113,088
-	-	-	37,222	5,936,014
-	-	-	103,781	202,595
33,051	-	-	42,023	478,285
-	-	136,933	123,468	260,401
-	-	-	646,465	709,340
-	-	-	-	19,568
-	-	-	332,760	332,760
-	-	-	659,500	659,500
-	-	-	12,988,557	13,112,974
-	-	-	-	-
2,850,021	-	-	4,643,344	60,475,188
<u>\$ 53,803,183</u>	<u>\$ 39,082,547</u>	<u>\$ 16,938,429</u>	<u>\$ 121,942,170</u>	<u>\$ 433,299,713</u>
<u>\$ 689,054</u>	<u>\$ 698,747</u>	<u>\$ 1,935,741</u>	<u>\$ 1,082,205</u>	<u>\$ 8,773,284</u>
-	-	-	260,401	260,401
-	57,472	-	70,800	199,890
-	-	4,193,737	-	4,198,701
-	-	-	8,124,116	22,356,668
135,060	142,699	-	76,714	13,149,721
<u>824,114</u>	<u>898,918</u>	<u>6,129,478</u>	<u>9,614,236</u>	<u>48,938,665</u>
5,816,469	926,220	2,252,258	28,897,315	83,131,302
-	-	-	-	13,974,339
-	-	-	5,576,058	5,576,058
-	-	-	41,358	41,358
16,507,666	37,257,409	8,556,693	35,078,750	173,302,967
-	-	-	-	47,519,083
-	-	-	24,448,169	24,448,169
-	-	-	851,104	(11,722,342)
30,654,934	-	-	17,435,180	48,090,114
<u>52,979,069</u>	<u>38,183,629</u>	<u>10,808,951</u>	<u>112,327,934</u>	<u>384,361,048</u>
<u>\$ 53,803,183</u>	<u>\$ 39,082,547</u>	<u>\$ 16,938,429</u>	<u>\$ 121,942,170</u>	<u>\$ 433,299,713</u>



**CITY OF CARLSBAD**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2006**

Total fund balances - governmental funds.	\$ 384,361,048
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds	611,697,993
Internal service funds	5,929,918
Total capital assets	<u>617,627,911</u>

Internal service funds are used by management to charge the costs of fleet management, self insured benefits, information technologies, records management, risk management and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Total internal service fund net assets	20,221,476
Internal service fund net assets included as part of total capital assets	<u>(5,929,918)</u>
Internal service fund net assets less capital assets	<u>14,291,558</u>

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.

(252,127)

Retentions payable are not due and payable in the current period and, therefore, are not reported in the funds.

(452,249)

Interest receivable on advances to other funds is not a current financial resource and, therefore, is not recognized as revenue in the funds until received.

12,567,568

A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.

(160,992)

A portion of accounts receivables are not available to pay for current-period expenditures and, therefore, is deferred in the funds.

76,714

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental funds	<u>(14,170,703)</u>
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Net assets of governmental activities.	<u><u>\$ 1,013,888,728</u></u>
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The notes to the financial statements are an integral part of this statement.





## CITY OF CARLSBAD

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2006

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
<b>Revenues:</b>				
Taxes	\$ 87,223,261	\$ 2,384,571	\$ -	\$ 2,913,558
Intergovernmental	1,102,240	-	-	-
Licenses and permits	2,504,019	-	-	-
Charges for services	7,751,673	-	-	-
Fines and forfeitures	1,063,268	-	-	-
Income from property and investments	2,411,227	40,429	1,085,231	1,068,745
Interdepartmental charges	2,611,380	-	-	-
Contributions from property owners	-	-	10,014,741	612,847
Donations	-	-	-	-
Miscellaneous	1,280,462	-	39,857	-
<b>Total revenues</b>	<b>105,947,530</b>	<b>2,425,000</b>	<b>11,139,829</b>	<b>4,595,150</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	16,051,181	18,503	-	181,972
Public safety	36,201,909	-	-	-
Community development	7,049,027	-	-	-
Community services	15,406,372	-	-	-
Public works	18,046,546	-	-	-
Capital outlay	-	-	15,787,793	6,310
<b>Debt service:</b>				
Principal retirement	6,663	395,000	-	-
Interest and fiscal charges	460	1,485,357	-	-
<b>Total expenditures</b>	<b>92,762,158</b>	<b>1,898,860</b>	<b>15,787,793</b>	<b>188,282</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>13,185,372</b>	<b>526,140</b>	<b>(4,647,964)</b>	<b>4,406,868</b>
<b>Other financing sources (uses):</b>				
Transfers in	76,666	-	3,861,887	-
Transfers out	(6,033,432)	(1,000,000)	(4,184,941)	-
<b>Total other financing sources (uses)</b>	<b>(5,956,766)</b>	<b>(1,000,000)</b>	<b>(323,054)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,228,606</b>	<b>(473,860)</b>	<b>(4,971,018)</b>	<b>4,406,868</b>
Fund balances (deficits) at beginning of year	99,396,124	(12,099,586)	31,439,658	45,134,673
Fund balances (deficits) at end of year	<u>\$ 106,624,730</u>	<u>\$ (12,573,446)</u>	<u>\$ 26,468,640</u>	<u>\$ 49,541,541</u>

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,340,505	\$ 94,861,895
493,774	-	1,124,810	10,306,126	13,026,950
-	-	-	-	2,504,019
-	-	-	3,286,329	11,038,002
-	-	-	114,926	1,178,194
1,392,876	1,277,146	438,083	2,673,187	10,386,924
-	-	-	28,000	2,639,380
-	5,900,483	3,198,340	5,638,356	25,364,767
-	-	-	129,558	129,558
212,939	312	495,342	48,117	2,077,029
<u>2,099,589</u>	<u>7,177,941</u>	<u>5,256,575</u>	<u>24,565,104</u>	<u>163,206,718</u>
-	-	-	59,193	16,310,849
-	-	-	163,124	36,365,033
-	-	-	7,251,070	14,300,097
-	-	-	230,947	15,637,319
-	-	-	2,281,010	20,327,556
2,684,734	7,653,585	7,944,216	12,954,970	47,031,608
-	-	-	635,000	1,036,663
-	-	-	113,058	1,598,875
<u>2,684,734</u>	<u>7,653,585</u>	<u>7,944,216</u>	<u>23,688,372</u>	<u>152,608,000</u>
<u>(585,145)</u>	<u>(475,644)</u>	<u>(2,687,641)</u>	<u>876,732</u>	<u>10,598,718</u>
600,000	-	136,933	7,009,367	11,684,853
-	-	-	(1,115,127)	(12,333,500)
<u>600,000</u>	<u>-</u>	<u>136,933</u>	<u>5,894,240</u>	<u>(648,647)</u>
14,855	(475,644)	(2,550,708)	6,770,972	9,950,071
<u>52,964,214</u>	<u>38,659,273</u>	<u>13,359,659</u>	<u>105,556,962</u>	<u>374,410,977</u>
<u>\$ 52,979,069</u>	<u>\$ 38,183,629</u>	<u>\$ 10,808,951</u>	<u>\$ 112,327,934</u>	<u>\$ 384,361,048</u>



CITY OF CARLSBAD

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2006**

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Net change in fund balances - total governmental funds.	\$ 9,950,071
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	40,516,194
Depreciation expense	(13,476,971)

Governmental funds do not reflect the donation of capital assets as revenues.	11,696,347
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Governmental funds report the entire proceeds from the sale of capital assets as revenue. However, in the statement of activities, the net gain or loss from the sale of capital assets is reported.	(15,142)
--	----------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.	1,036,663
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	18,556
--	--------

Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	3,001,359
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A portion of sales and use taxes previously recognized in the Statement of Activities, but had been deferred in the funds.	(974,360)
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The net revenue of activities of internal service funds is reported with governmental activities.	2,363,577
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Other	<u>(36,476)</u>
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Change in net assets of governmental activities.	<u><u>\$ 54,079,818</u></u>
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The notes to the financial statements are an integral part of this statement.



## CITY OF CARLSBAD

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## General Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget - Over (Under)
Revenues:				
Taxes	\$ 85,961,000	\$ 83,649,000	\$ 87,223,261	\$ 3,574,261
Intergovernmental	1,647,000	2,031,000	1,102,240	(928,760)
Licenses and permits	2,750,000	2,750,000	2,504,019	(245,981)
Charges for services	7,091,000	7,114,000	7,751,673	637,673
Fines and forfeitures	926,000	926,000	1,063,268	137,268
Income from property and investments	2,960,000	2,960,000	3,339,741	379,741
Interdepartmental charges	2,700,000	2,700,000	2,611,380	(88,620)
Miscellaneous	750,000	984,000	1,280,462	296,462
<b>Total revenues</b>	<b>104,785,000</b>	<b>103,114,000</b>	<b>106,876,044</b>	<b>3,762,044</b>
Expenditures:				
Current:				
General government	19,776,477	21,703,254	17,345,827	(4,357,427)
Public safety	38,918,970	38,922,233	36,417,911	(2,504,322)
Community development	9,122,761	10,071,706	7,847,923	(2,223,783)
Community services	20,434,491	20,493,265	16,195,437	(4,297,828)
Public works	22,368,295	22,442,827	19,516,416	(2,926,411)
Debt service:				
Principal retirement	6,663	6,663	6,663	-
Interest and fiscal charges	460	460	460	-
<b>Total expenditures</b>	<b>110,628,117</b>	<b>113,640,408</b>	<b>97,330,637</b>	<b>(16,309,771)</b>
<b>Excess of revenues over expenditures</b>	<b>(5,843,117)</b>	<b>(10,526,408)</b>	<b>9,545,407</b>	<b>20,071,815</b>
Other financing sources (uses):				
Transfers in	-	101,444	76,666	(24,778)
Transfers out	(5,875,000)	(6,258,432)	(6,258,432)	-
<b>Total other financing sources (uses)</b>	<b>(5,875,000)</b>	<b>(6,156,988)</b>	<b>(6,181,766)</b>	<b>(24,778)</b>
<b>Net change in fund balances</b>	<b>(11,718,117)</b>	<b>(16,683,396)</b>	<b>3,363,641</b>	<b>\$ 20,047,037</b>
Fund balance at beginning of year	99,396,124	99,396,124	99,396,124	
Fund balance at end of year	<u>\$ 87,678,007</u>	<u>\$ 82,712,728</u>	<u>\$ 102,759,765</u>	

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund (Continued)  
For the Year Ended June 30, 2006

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
<b>Revenues</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 106,876,044
The recording of unrealized gains and losses on the City's investments are shown for financial reporting purposes (pursuant to GASB 31), but are not shown for budgetary purposes.	<u>(928,514)</u>
	<u><u>\$ 105,947,530</u></u>
<b>Expenditures</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 97,330,637
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(4,568,479)</u>
	<u><u>\$ 92,762,158</u></u>
<b>Other financing sources (uses)</b>	
Actual amounts (budgetary basis) "total other financing sources (uses)" from the budgetary comparison schedule (previous page).	\$ (6,181,766)
Differences - budget to GAAP:	
Some advances are budgeted for as transfers out for budgetary purposes, but reflected as advances for financial reporting purposes.	<u>225,000</u>
	<u><u>\$ (5,956,766)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Sewer
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 53,291,630	\$ 8,240,727	\$ 61,615,700
Receivables:			
Taxes	27,486	-	-
Accounts, net	2,474,862	1,583	911,793
Due from other governments	749,383	-	690,993
Inventories	547,257	-	4,833
<b>Total current assets</b>	<b>57,090,618</b>	<b>8,242,310</b>	<b>63,223,319</b>
Current restricted assets:			
Cash and investments	-	-	953,706
Accrued interest	-	-	21,300
<b>Total current restricted assets</b>	<b>-</b>	<b>-</b>	<b>975,006</b>
Noncurrent assets:			
Loans and reimbursement receivables	-	-	437,510
Capital assets:			
Land	1,909,565	5,075,228	1,678,807
Buildings and other structures	16,941,971	-	-
Improvements other than buildings	2,185,604	-	3,370,967
Machinery and equipment	950,900	-	524,329
Infrastructure	108,384,891	-	61,252,958
Construction in progress	33,766,924	33,055,162	10,090,467
Sewage treatment facility	-	-	42,809,292
Less accumulated depreciation	(28,127,860)	-	(28,475,696)
Total capital assets (net of accumulated depreciation)	136,011,995	38,130,390	91,251,124
<b>Total noncurrent assets</b>	<b>136,011,995</b>	<b>38,130,390</b>	<b>91,688,634</b>
<b>Total assets</b>	<b>\$ 193,102,613</b>	<b>\$ 46,372,700</b>	<b>\$ 155,886,959</b>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 6,868,533	\$ 130,016,590	\$ 21,463,443
-	27,486	-
694,443	4,082,681	2,421
-	1,440,376	-
-	552,090	195,873
<u>7,562,976</u>	<u>136,119,223</u>	<u>21,661,737</u>
-	953,706	-
-	21,300	-
-	<u>975,006</u>	-
-	437,510	-
-	8,663,600	-
-	16,941,971	-
-	5,556,571	-
-	1,475,229	16,212,542
-	169,637,849	-
-	76,912,553	-
-	42,809,292	-
-	(56,603,556)	(10,282,624)
-	<u>265,393,509</u>	<u>5,929,918</u>
-	<u>265,831,019</u>	<u>5,929,918</u>
<u>\$ 7,562,976</u>	<u>\$ 402,925,248</u>	<u>\$ 27,591,655</u>

(Continued)



CITY OF CARLSBAD

Statement of Net Assets  
Proprietary Funds (Continued)  
June 30, 2006

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Sewer
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	\$ 2,416,587	\$ 3,131,106	\$ 317,248
Accrued interest payable	182,918	-	-
Due to other governments	3,534,203	-	1,381,622
Estimated claims payable	-	-	-
Current portion of long-term debt	388,382	-	605,000
Deposits payable	156,379	4,749	372,927
<b>Total current liabilities</b>	<b>6,678,469</b>	<b>3,135,855</b>	<b>2,676,797</b>
Current liabilities payable from restricted assets:			
Accrued interest	-	-	143,992
Noncurrent liabilities:			
Advance from other funds	-	36,894,301	-
Deferred revenue	-	-	800,674
Loan payable	10,203,998	-	-
Installment purchase agreement, net of deferred charges of \$437,443	-	-	5,687,557
<b>Total noncurrent liabilities</b>	<b>10,203,998</b>	<b>36,894,301</b>	<b>6,488,231</b>
<b>Total liabilities</b>	<b>16,882,467</b>	<b>40,030,156</b>	<b>9,309,020</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	125,419,615	38,130,390	85,912,273
Restricted for:			
Capital assets	50,725,006	-	57,116,004
Unrestricted	75,525	(31,787,846)	3,549,662
<b>Total net assets</b>	<b>\$ 176,220,146</b>	<b>\$ 6,342,544</b>	<b>\$ 146,577,939</b>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
		Activities -
Solid	Total	Internal
Waste	Proprietary	Service
	Funds	Funds
\$ 416,124	\$ 6,281,065	\$ 3,242,345
-	182,918	-
-	4,915,825	-
-	-	4,127,834
-	993,382	-
-	534,055	-
416,124	12,907,245	7,370,179
-	143,992	-
1,224,219	38,118,520	-
-	800,674	-
-	10,203,998	-
-	5,687,557	-
1,224,219	54,810,749	-
1,640,343	67,861,986	7,370,179
-	249,462,278	5,929,918
-	107,841,010	-
5,922,633	(22,240,026)	14,291,558
\$ 5,922,633	\$ 335,063,262	\$ 20,221,476

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Sewer
Operating revenues:			
Water sales	\$ 18,757,653	\$ -	\$ -
Sewer service charges	-	-	6,707,125
Other charges for services	704,532	-	93,793
Contributions from other government agencies	688,961	-	-
Miscellaneous	12,838	-	27,078
<b>Total operating revenues</b>	<b>20,163,984</b>	<b>-</b>	<b>6,827,996</b>
Operating expenses:			
Sewer plant operations	-	-	2,300,281
Purchased water	12,121,527	-	-
Depreciation	2,264,413	-	2,256,075
Fuel and supplies	-	-	-
Claims expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	9,738,203	13,677	3,377,370
<b>Total operating expenses</b>	<b>24,124,143</b>	<b>13,677</b>	<b>7,933,726</b>
<b>Operating income (loss)</b>	<b>(3,960,159)</b>	<b>(13,677)</b>	<b>(1,105,730)</b>
Nonoperating revenues (expenses):			
Income from property and investments	1,348,009	551,149	1,478,787
Interest expense and fees	-	(2,457,101)	(330,794)
Intergovernmental	-	-	-
Gain on sale of property	4,450	-	(837)
Property taxes	2,257,124	-	-
<b>Total nonoperating revenues</b>	<b>3,609,583</b>	<b>(1,905,952)</b>	<b>1,147,156</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>(350,576)</b>	<b>(1,919,629)</b>	<b>41,426</b>
Transfers in	55,687	-	259,528
Transfers out	-	-	-
Capital contributions	7,593,789	-	3,618,992
<b>Change in net assets</b>	<b>7,298,900</b>	<b>(1,919,629)</b>	<b>3,919,946</b>
Total net assets at beginning of year	168,921,246	8,262,173	142,657,993
Total net assets at end of year	<u>\$ 176,220,146</u>	<u>\$ 6,342,544</u>	<u>\$ 146,577,939</u>

The notes to the financial statements are an integral part of this statement.



Enterprise Funds		Governmental
		Activities -
		Internal
Solid Waste	Totals	Service Funds
\$ -	\$ 18,757,653	\$ -
-	6,707,125	-
1,892,746	2,691,071	11,897,287
29,214	718,175	-
12,694	52,610	395,225
1,934,654	28,926,634	12,292,512
-	2,300,281	-
-	12,121,527	-
-	4,520,488	1,438,534
-	-	928,615
-	-	1,951,182
-	-	22,317
1,699,120	14,828,370	6,601,857
1,699,120	33,770,666	10,942,505
235,534	(4,844,032)	1,350,007
160,059	3,538,004	379,655
-	(2,787,895)	-
-	-	27,878
-	3,613	41,516
-	2,257,124	-
160,059	3,010,846	449,049
395,593	(1,833,186)	1,799,056
-	315,215	633,432
-	-	(300,000)
-	11,212,781	231,089
395,593	9,694,810	2,363,577
5,527,040	325,368,452	17,857,899
\$ 5,922,633	\$ 335,063,262	\$ 20,221,476

**CITY OF CARLSBAD**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Sewer
Cash flows from operating activities:			
Receipts from customers and users	\$ 19,366,409	\$ -	\$ 6,708,123
Payments to suppliers	(17,700,854)	(13,677)	(3,664,755)
Payments to employees	(2,762,327)	-	(1,586,061)
Internal activity - payments to other funds	(2,214,513)	-	(967,976)
Claims paid	-	-	-
Other receipts (payments)	701,799	(26,074)	8,275
Increase (decrease) in deposits payable	8,367	-	-
Net cash provided by operating activities	(2,601,119)	(39,751)	497,606
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	55,687	32,757,101	259,528
Cash flows from capital and related financing activities:			
Proceeds from capital debt	9,493,852	-	-
Capital contributions	4,975,124	-	1,605,479
Purchases of capital assets	(15,295,143)	(23,353,505)	(4,126,167)
Principal paid on capital debt	(124,071)	-	(575,000)
Interest and other fees paid	(35,455)	(2,457,101)	(365,482)
Property taxes received	2,266,743	-	-
Net cash (used in) capital and related financing activities	1,281,050	(25,810,606)	(3,461,170)
Cash flows from investing activities:			
Interest on investments	1,348,009	551,149	1,478,787
Net increase (decrease) in cash and cash equivalents	83,627	7,457,893	(1,225,249)
Cash and cash equivalents at beginning of year	53,208,003	782,834	62,855,074
Cash and cash equivalents at end of year	\$ 53,291,630	\$ 8,240,727	\$ 61,629,825

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities - Internal Service Funds	
Solid Waste	Totals		
\$ 1,830,221	\$ 27,904,753	\$ 11,897,286	
(775,705)	(22,154,991)	(4,223,761)	
(671,635)	(5,020,023)	(2,904,217)	
(332,112)	(3,514,601)	(878,380)	
-	-	(3,164,183)	
75,267	759,267	224,083	
-	8,367	-	
126,036	(2,017,228)	950,828	
-	33,072,316	333,432	
-	9,493,852	-	
-	6,580,603	782,747	
-	(42,774,815)	(1,469,435)	
-	(699,071)	-	
-	(2,858,038)	-	
-	2,266,743	-	
-	(27,990,726)	(686,688)	
160,059	3,538,004	379,655	
286,095	6,602,366	977,227	
6,582,438	123,428,349	20,486,216	
<u>\$ 6,868,533</u>	<u>\$ 130,030,715</u>	<u>\$ 21,463,443</u>	

(Continued)



**CITY OF CARLSBAD**

**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2006**

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Sewer
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (3,960,159)	\$ (13,677)	\$ (1,105,730)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,264,413	-	2,256,075
Change in assets and liabilities:			
(Increase) decrease in receivables	(95,777)	-	(92,795)
(Increase) in inventories	(8,536)	-	2,670
(Decrease) increase in accrued liabilities	(84,782)	(26,074)	(543,810)
(Decrease) increase in accrued interest payable	162,236	-	-
Increase in due to other governments	(886,881)	-	29,677
Increase in estimated claims payable	-	-	-
Increase in deposits payable	8,367	-	(48,481)
Net cash provided by operating activities	<u>\$ (2,601,119)</u>	<u>\$ (39,751)</u>	<u>\$ 497,606</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 6,919,001</u>	<u>\$ -</u>	<u>\$ 1,905,918</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 53,291,630	\$ 8,240,727	\$ 61,615,700
Restricted assets:			
Cash and investments	-	-	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	<u>-</u>	<u>-</u>	<u>(939,581)</u>
Cash and cash equivalents at end of year	<u>\$ 53,291,630</u>	<u>\$ 8,240,727</u>	<u>\$ 61,629,825</u>

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental Activities - Internal Service Funds	
<u>Solid Waste</u>	<u>Totals</u>		
\$ 235,534	\$ (4,844,032)	\$ 1,350,007	
-	4,520,488	1,438,534	
(29,167)	(217,739)	(1,170)	
-	(5,866)	(25,238)	
(80,331)	(734,997)	(319,034)	
-	162,236	-	
-	(857,204)	-	
-	-	(1,492,271)	
-	(40,114)	-	
<u>\$ 126,036</u>	<u>\$ (2,017,228)</u>	<u>\$ 950,828</u>	
<u>\$ -</u>	<u>\$ 8,824,919</u>	<u>\$ 231,089</u>	
\$ 6,868,533	\$ 130,016,590	\$ 21,463,443	
-	953,706	-	
-	(939,581)	-	
<u>\$ 6,868,533</u>	<u>\$ 130,030,715</u>	<u>\$ 21,463,443</u>	

**CITY OF CARLSBAD**

**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2006**

**ASSETS**

Current assets:		
Cash and investments	\$	24,359,656
Other receivables		257,823
<b>Total current assets</b>		<u>24,617,479</u>
Restricted assets:		
Cash and investments		<u>6,891,655</u>
<b>Total assets</b>	\$	<u><u>31,509,134</u></u>

**LIABILITIES**

Accrued liabilities	\$	197,587
Deposits held for others		<u>31,311,547</u>
<b>Total liabilities</b>	\$	<u><u>31,509,134</u></u>

The notes to the financial statements are an integral part of this statement.



## **CITY OF CARLSBAD**

### **Notes to the Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

The City of Carlsbad, California, (City) was incorporated on July 16, 1952. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, community development, community services and public works.

The accounting policies of the City and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### **Description and scope of the reporting entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority and the Carlsbad Municipal Water District (District).

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units is reported with the interfund data of the primary government. Only the City of Carlsbad Public Improvement Corporation and the Carlsbad Redevelopment Agency issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained from the Finance department.

#### **Government-wide and Fund Financial Statements**

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement focus, basis of accounting, and financial statement presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Fiduciary fund types are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund assets and liabilities are accounted for on the accrual basis of accounting.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Redevelopment Debt Service Funds** are used to account for the accumulation of resources for, and payment of, principal and interest on the Carlsbad Redevelopment Agency's bonds and other debt, used to finance improvements for the redevelopment areas of the City.

The **Assessment and Other Districts** capital project funds are used to account for capital projects financed by the issuance of assessment and community facility district bonds.

The **Community Facilities District No. 1** capital project fund is used to account for civic facilities, freeway interchanges, and road segments financed by Community Facilities District No. 1 "special tax revenues" (Mello Roos).

The **General Capital Construction** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.

The **Public Facilities Construction** capital project fund is used to account for the receipt of fees charged to developers, and expenditures for specific public facilities such as libraries and fire stations necessitated by growth.

The **Rancho Santa Fe Road Project** capital project fund is used to account for the amounts paid by developers and costs for the construction and improvements related to Rancho Santa Fe Road.



## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major enterprise funds:

The **Carlsbad Municipal Water District** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's water system.

The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction activities of the City's new municipal golf course.

The **Sewer** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's sewer system.

The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the City's solid waste source-reduction, recycling and storm water programs.

Additionally, the City reports the following fund types:

**Internal Service funds** account for fleet management, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the City.

The **Agency funds** account for assets held by the City for other funds, governments or individuals. These funds include contractors' deposits for future development, miscellaneous deposits, as well as debt service transactions on assessment district bonds for which the City is not obligated.

Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide Financial Statements. An exception to this general rule are the charges between the Carlsbad Municipal Water District and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.



## **CITY OF CARLSBAD**

### **Notes to the Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Cash and investments**

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sale of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance.

Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

##### **Inventories**

Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in, first-out basis when consumed.

##### **Compensated absences**

Compensated absences are comprised of vacation payable for all City employees and vested sick benefits for certain former District employees. Vacation pay is payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a liability in the Self Insured Benefits Special Revenue Fund. For compensated absences recorded at June 30, 2006, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation is recorded as a liability when earned.

##### **Risk management**

The City accounts for its general liability, a portion of its health insurance, and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other City funds and departments and paying claims settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

##### **Unbilled services**

Unbilled water revenue of the enterprise funds is recognized as earned when the water is consumed.

##### **Capital assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, water and sewer systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective fixed asset category upon completion.

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	20 – 50
Machinery and equipment	3 – 20
Infrastructure	10 – 100
Sewage treatment facility	50

The City has capitalized all general infrastructure assets acquired or constructed in compliance with GASB 34 as of June 30, 2006. In addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized as of June 30, 2006.

#### Deferred revenue

The deferred revenue reported in the City's financial statements represents money received during the current or previous fiscal years that has not been earned by, or is not available to, the City as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned or becomes available.

#### Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances."

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

#### Receivables and payables

All trade, service and tax receivables are shown net of an allowance for uncollectibles. The utility billing receivable allowance is equal to 1% of outstanding billings at June 30, 2006, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2006, and the trade and false alarm receivable allowance is equal to the total of all outstanding receivables that are over 90 days past due plus 30% of all remaining balances. The only exception to these rules are receivables that were subsequently paid or were known to be collectible at year-end, were not reserved for at June 30, 2006.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year. Encumbrances at year end are a portion of the reserved fund balance and are reappropriated the following year.

#### Net Assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Cash flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

##### Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

##### Pronouncements issued, not yet effective

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- ♦ GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- ♦ GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*.

#### Note 2. Budgetary Data

The City follows these procedures in establishing its budgetary data:

- ♦ During May or June, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- ♦ Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- ♦ Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.



## **CITY OF CARLSBAD**

### **Notes to the Financial Statements**

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#### **Note 2. Budgetary Data (Continued)**

The City Manager is authorized to make transfers of appropriated amounts from one department to another within a fund. The legal level of budgetary control is at the fund level. Revisions that alter the total appropriations of any fund must be approved by the City Council with the exception of budget adjustments that involve offsetting revenues and expenditures. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed.

Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31, actual expenditures have been adjusted to include encumbrances outstanding, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and debt service funds except for the Hosp Grove COPs. Accordingly, the revenues and expenditures for these two funds have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

#### **Note 3. Deposit and Investment Risk**

Cash resources of the individual funds are combined to form a pool of cash and investments. The City maintains a formal investment policy, which is reviewed by the Investment Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the City's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest funds in an external investment pool known as the Local Area Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2006, the LAIF performance report shows a fair value factor of .998185821. The City of Carlsbad's position in the LAIF pool is calculated as a percentage of the fair value of the City's shares to the fair value of the pooled shares.

Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

# CITY OF CARLSBAD

## Notes to the Financial Statements

### Note 3. Deposit and Investment Risk (Continued)

As of June 30, 2006 the City had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal Home Loan Mortgage Corporation	\$ 154,006,457	30.4%	2.478
Federal Home Loan Bank	173,993,340	34.4%	1.837
Federal National Mortgage Association	101,572,403	20.1%	2.246
Federal Farm Credit Bank	5,873,731	1.2%	2.123
Subtotal U.S. agencies	435,445,931	86.1%	2.163
Corporate notes:			
Medium-term corporate notes	51,334,928	10.1%	1.864
Commercial paper	-	0.0%	-
Subtotal corporate notes	51,334,928	10.1%	1.864
LAIF	16,736,038	3.3%	-
Cash accounts	2,742,727	0.5%	-
Total Treasurer's Pool	506,259,624	100.0%	2.022
Investments held outside the Treasurer's Pool			
Debt Service funds/bond proceeds	28,657,669		
Other deposits	534,030		
Petty cash funds	6,315		
Total cash and investments	\$ 535,457,638		
Statement of Net Assets, Primary Government			
Cash and investments	\$ 502,593,121		
Restricted cash and investments	1,613,206		
Statement of Fiduciary Assets and Liabilities, Agency Funds			
Cash and investments	24,359,656		
Restricted cash and investments	6,891,655		
Total cash and investments	\$ 535,457,638		

### Custodial credit risk (investments)

The City uses Union Bank of California (UBC) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a UBC failure. All City investments held in custody and safekeeping by UBC are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

### Custodial credit risk (deposits)

The City maintains cash accounts at Wells Fargo Bank (WFB) and UBC. At the conclusion of each business day, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). The California Code authorizes both of these types of investments. A small amount of cash is not swept from the WFB checking accounts to cover checks that may be presented for payment. Amounts up to \$100,000 are Federal Deposit Insurance Corporation (FDIC) insured.



**Note 3. Deposit and Investment Risk (Continued)**

**Concentration credit risk**

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code requires that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. As of June 30, 2006, approximately 10% of the City's total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments in any one issuer, the City's Investment Policy requires that no more than 5% of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the City's Investment Policy for U.S. agencies. As of June 30, 2006, the portfolio was in compliance with this requirement.

**Default credit risk**

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government; however, because the agencies are U.S. Government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). It is the City's policy, however, to limit investments to the top two credit ratings (AAA and AA). As of June 30, 2006, approximately 2% of the investments in medium-term corporate notes did not have one of these two credit ratings; however, these investments had credit ratings of at least an A rating. All of these investments were made when the credit ratings were either AAA or AA. California state code and the City's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is lower than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within State code requirements.

The Local Agency Investment Fund (LAIF) is an external investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the State. As of June 30, 2006, the average maturity of the LAIF investments was 142 days. LAIF is not rated; however, the City Treasurer considers the default credit risk of LAIF to be minimal.

**Interest rate risk**

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2006, the portfolio had a 1.9% loss in market value.

The City's investment policy has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring maturing investments within one year are equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The City met those requirements as follows:

1. As of June 30, 2006, the modified duration of the portfolio was 2.02. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.
2. As of June 30, 2006, maturities within one year exceeded the required minimum of \$106,000,000 (two-thirds of current year operating budget for the City per the 2005-06 Operating Budget adopted by the City Council).



# CITY OF CARLSBAD

## Notes to the Financial Statements

### Note 4. Due to and from Other Funds

The following table shows amounts due from funds within the City to other funds within the City at June 30, 2006:

	Due to Other Funds	Due from Other Funds
Capital Project Funds:		
Grants and Other Funds - TDA	\$ 136,933	\$ -
Grants and Other Funds - Traffic Congestion	123,468	-
Rancho Santa Fe Road Project	-	136,933
Sales Tax/TransNet - Local	-	123,468
Totals	<u>\$ 260,401</u>	<u>\$ 260,401</u>

These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

### Note 5. Advances to and from Other Funds

The following table shows amounts advanced from governmental funds within the City to other funds within the City at June 30, 2006:

Advances From	Advances To	Amount
General Fund	Redevelopment Debt Service Funds	\$ 14,232,552
General Fund	Financing Districts Special Revenue Funds	630,751
General Fund	Enterprise Funds:	
	Golf Course	36,894,301 (1)
	Solid Waste	1,224,219
Special Revenue Funds:	Capital Project Funds:	
Gas Tax	Bridge and Thoroughfare Districts	3,643,344
	Sales Tax/TransNet	1,000,000
Capital Projects Funds:	Capital Project Funds:	
General Capital Construction	Park Development	2,430,000
	Planned Local Drainage Facilities	420,021
		<u>\$ 60,475,188</u>

Advances to and from other funds are primarily long term advances used to fund capital projects in advance of related revenues.

- (1) The advance between the General Fund and the Golf Course Fund is estimated to be repaid over a 35-40 year period through bond proceeds, possible disposition of golf course assets, and residual operating income from golf course operations.

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 6. Capital Assets**

Capital asset activity was as follows for the year ended June 30, 2006:

	Balance at July 1, 2005	Increases	Decreases	Balance at June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 124,136,131	\$ 4,446,800	\$ -	\$ 128,582,931
Construction in progress	72,209,568	46,938,677	(17,777,892)	101,370,353
Total capital assets, not being depreciated	196,345,699	51,385,477	(17,777,892)	229,953,284
Capital assets, being depreciated:				
Buildings	69,203,460	273,175	-	69,476,635
Improvements	17,629,241	10,962,982	(318,539)	28,273,684
Machinery and equipment	21,890,701	2,515,666	(1,332,949)	23,073,418
Infrastructure	402,314,322	7,486,577	(72,794)	409,728,105
Total capital assets, being depreciated	511,037,724	21,238,400	(1,724,282)	530,551,842
Less accumulated depreciation for:				
Buildings	(14,314,396)	(1,427,900)	-	(15,742,296)
Improvements	(3,264,087)	(737,053)	72,999	(3,928,141)
Machinery and equipment	(13,268,461)	(2,056,057)	786,612	(14,537,906)
Infrastructure	(98,047,170)	(10,694,496)	72,794	(108,668,872)
Total accumulated depreciation	(128,894,114)	(14,915,506)	932,405	(142,877,215)
Total capital assets being depreciated, net	382,143,610	6,322,894	(791,877)	387,674,627
Governmental activities capital assets, net	\$ 578,489,309	\$ 57,708,371	\$ (18,569,769)	\$ 617,627,911

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 6. Capital Assets (Continued)**

	Balance at July 1, 2005	Increases	Decreases	Balance at June 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,663,600	\$ -	\$ -	\$ 8,663,600
Construction in progress	40,328,185	42,098,354	(5,513,986)	76,912,553
Total capital assets, not being depreciated	48,991,785	42,098,354	(5,513,986)	85,576,153
Capital assets, being depreciated:				
Buildings	16,208,704	740,028	(6,761)	16,941,971
Improvements, other than buildings	5,556,571	-	-	5,556,571
Machinery and equipment	1,535,443	81,267	(141,481)	1,475,229
Infrastructure	159,709,825	9,928,024	-	169,637,849
Sewage treatment facility	40,318,093	2,491,199	-	42,809,292
Total capital assets, being depreciated	223,328,636	13,240,518	(148,242)	236,420,912
Less accumulated depreciation for:				
Buildings	(886,708)	(340,196)	-	(1,226,904)
Improvements	(2,136,973)	(148,770)	-	(2,285,743)
Machinery and equipment	(1,260,623)	(64,018)	59,376	(1,265,265)
Infrastructure	(36,497,731)	(3,167,209)	-	(39,664,940)
Sewage treatment facility	(11,360,409)	(800,295)	-	(12,160,704)
Total accumulated depreciation	(52,142,444)	(4,520,488)	59,376	(56,603,556)
Total capital assets being depreciated, net	171,186,192	8,720,030	(88,866)	179,817,356
Business-type activities capital assets, net	<u>\$ 220,177,977</u>	<u>\$ 50,818,384</u>	<u>\$ (5,602,852)</u>	<u>\$ 265,393,509</u>



**CITY OF CARLSBAD**

**Notes to the Financial Statements**

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**Note 6. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 538,458
Community development	202,621
Public safety	454,287
Community services	1,440,344
Public works	10,841,262
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,438,534</u>
Total depreciation expense - governmental activities	<u><u>\$ 14,915,506</u></u>

Business-type activities:

Sewer	\$ 2,256,075
Water	<u>2,264,413</u>
Total depreciation expense - business-type activities	<u><u>\$ 4,520,488</u></u>

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 7. Accrued Liabilities**

Accrued liabilities were as follows at June 30, 2006:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 1,615,001	\$ 2,646,123	\$ 81,746	\$ -	\$ 4,342,870
Assessment and Other Districts	4,424	-	-	-	4,424
Community Facilities District No. 1	20,243	-	-	-	20,243
General Capital Construction	689,054	-	-	-	689,054
Public Facilities Construction	698,747	-	-	-	698,747
Rancho Santa Fe Road Project	1,935,741	-	-	-	1,935,741
Other Governmental Funds	1,016,194	66,011	-	-	1,082,205
Subtotals	5,979,404	2,712,134	81,746	-	8,773,284
* Internal Service Funds	225,315	3,017,030	-	-	3,242,345
* Retentions Payable	452,249	-	-	-	452,249
Total governmental activities	<u>\$ 6,656,968</u>	<u>\$ 5,729,164</u>	<u>\$ 81,746</u>	<u>\$ -</u>	<u>\$ 12,467,878</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water District	\$ 1,966,289	\$ 450,298	\$ -	\$ -	\$ 2,416,587
Golf Course	3,131,106	-	-	-	3,131,106
Sewer	242,452	74,796	-	-	317,248
Solid Waste	100,838	44,814	-	270,472	416,124
Total business-type activities	<u>\$ 5,440,685</u>	<u>\$ 569,908</u>	<u>\$ -</u>	<u>\$ 270,472</u>	<u>\$ 6,281,065</u>

\* Internal service funds and retentions payable have been included with governmental activities on the Government-wide Statement of Net Assets.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2006:

	Principal Balance at June 30, 2005	Additions	Reductions	Principal Balance at June 30, 2006	Due Within One Year
Governmental activities:					
Bonds	\$ 12,460,000	\$ -	\$ 395,000	\$ 12,065,000	\$ 420,000
Certificates of participation	2,740,000	-	635,000	2,105,000	670,000
Obligations under capital leases	7,366	-	6,663	703	703
Total governmental activities	15,207,366	-	1,036,663	14,170,703	1,090,703
Business-type activities:					
Installment purchase agreement	7,305,000	-	575,000	6,730,000	605,000
Loan payable	1,222,599	9,493,852	124,071	10,592,380	388,382
	8,527,599	9,493,852	699,071	17,322,380	993,382
Less deferred charges	(497,365)		(59,922)	(437,443)	(60,494)
Total business type activities	8,030,234	9,493,852	639,149	16,884,937	932,888
Entity-wide total	\$ 23,237,600	\$ 9,493,852	\$ 1,675,812	\$ 31,055,640	\$ 2,023,591



# CITY OF CARLSBAD

## Notes to the Financial Statements

### Note 8. Long-term Debt (Continued)

Long-term debt at June 30, 2006 is comprised of the following issues:

	Balance at June 30, 2006
Governmental long-term debt	
1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds, principal due in amounts ranging from \$420,000 to \$1,000,000 on September 1 of each year through 2023. Interest payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The City posted a surety bond in lieu of cash reserve in the amount of \$1,055,953. Payable from redevelopment property tax increment revenues.	\$ 12,065,000
1997 Hosp Grove Refunding Certificates of Participation, principal due in amounts ranging from \$670,000 to \$735,000 on August 1 of each year through 2008, interest payable on August 1 and February 1 at rates varying from 4.50% to 4.70% per annum. Payable from the General Fund, with a required reserve amount of \$659,500.	2,105,000
The City has entered into one office equipment lease-purchase agreement. As of June 30, 2006, the City has purchased copier equipment totaling \$5,926. The lease term is for 60 months, with an interest rate of 16.82%. This lease expires in November 2006. Payable from General Fund revenues.	703
Sub-total governmental long-term debt	14,170,703
Less current portion	1,090,703
Total long-term portion of governmental debt	\$ 13,080,000

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 8. Long-term Debt (Continued)**

	Balance at June 30, 2006
<u>Business-type long-term debt</u>	
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement, principal due in varying amounts ranging from \$605,000 to \$905,000 on August 1 of each year through 2015, interest payable on February 1 and August 1 each year at rates varying from 4.90% to 5.50% per annum. The required reserve amount is \$937,169. Payable from sewer user fees.	6,730,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$123,222 to \$151,558 on November 30 of each year through 2013, interest payable on November 30 of each year at 2.90% per annum. Payable from recycled water user fees.	1,098,528
2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$260,712 to \$627,584 on June 1 of each year through 2025, interest payable on June 1 of each year at 2.50% per annum. Payable from recycled water user fees.	9,493,852
Subtotal business-type long-term debt	17,322,380
Less unamortized discounts, issuance costs and deferred charges	437,443
Less current portion	993,382
Total long-term portion of business-type debt	<u>\$ 15,891,555</u>

The aggregate maturities of long-term debt are as follows:

Year ended June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	1,090,703	706,090	993,382	743,363
2008	1,140,000	652,310	1,183,817	554,490
2009	1,200,000	595,182	1,232,937	507,031
2010	490,000	552,840	1,277,427	458,380
2011	515,000	526,459	1,327,294	406,925
2012–2016	3,005,000	2,186,569	6,180,075	1,201,798
2017–2021	3,880,000	1,286,898	2,707,469	508,899
2022–2025	2,850,000	231,875	2,419,979	153,117
	<u>\$ 14,170,703</u>	<u>\$ 6,738,223</u>	<u>\$ 17,322,380</u>	<u>\$ 4,534,003</u>

**Note 9. Rate Covenants**

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement (Wastewater Revenue Bonds) require that the District set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.25 times debt service for that year.

## **CITY OF CARLSBAD**

### **Notes to the Financial Statements**

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#### **Note 9. Rate Covenants (Continued)**

The 2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board requires that the District set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.0 times debt service for that year.

#### **Note 10. Debt without Government Commitment**

##### **Special assessment bonds**

As of June 30, 2006, the City has six series of Assessment District Bonds outstanding in the amount of \$73,621,457. These bonds were issued under the provisions of the Improvement Bond Acts of 1911 and 1915 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the Assessment Districts Agency funds.

##### **Community Facilities District No. 3**

As of June 30, 2006, the City has Community Facilities District No. 3 (CFD #3) Bonds outstanding in the amount of \$11,490,000. These bonds were issued under the provisions of the Mello-Roos Community Facilities Act of 1982 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the CFD #3 Agency fund.

##### **Mortgage revenue bonds**

Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City which will be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2006 is \$48,477,000. The bonds, together with interest thereon, are limited obligations of the City payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds.

##### **Industrial development bonds**

The Industrial Development Authority (Authority) of the City has issued \$3,172,500 in Industrial Development Revenue Bonds. Any costs relating to the issuance of the Bonds, as well as the principal and interest payments, are to be paid by the private party benefiting from the bond issue.

In the opinion of City officials, the above bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing power of the City of Carlsbad, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying financial statements.





**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 11. Fund Balances**

The following is a summary of reserved and unreserved but designated fund balances as of June 30, 2006:

Fund Balances	Governmental Funds			
	General	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
Reserved for:				
Loans receivable	\$ 124,417	\$ -	\$ -	\$ -
Inventory	19,568	-	-	-
Prepaid items	-	-	-	-
Debt service	-	-	-	-
Advances to other other funds*	40,414,255	-	-	-
Flower fields preservation	-	-	-	-
Library endowment	-	-	-	-
Low and moderate income housing	-	-	-	-
Encumbrances	4,573,068	-	7,936	99,796
Totals	45,131,308	-	7,936	99,796
Unreserved:				
Designated for approved capital projects	-	-	1,320,833	44,897,160
Designated for continuing appropriations	13,974,339	-	25,139,871	4,544,585
Totals	13,974,339	-	26,460,704	49,441,745
Undesignated	47,519,083	(12,573,446)	-	-
Total fund balances	\$ 106,624,730	\$ (12,573,446)	\$ 26,468,640	\$ 49,541,541

\* Only reflects that portion of fund balance invested in interfund advances (the General Fund amount is net of \$12,567,568 in deferred revenue for measurable but unavailable interest earned on such advances).

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 11. Fund Balances (Continued)**

Governmental Funds				
General Capital Construction	Public Facilities Construction	Rancho Santa Fe Road Project	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 12,988,557	\$ 13,112,974
-	-	-	-	19,568
-	-	-	332,760	332,760
-	-	-	659,500	659,500
2,850,021	-	-	4,643,344	47,907,620
-	-	-	935,000	935,000
-	-	-	251,000	251,000
-	-	-	2,142,000	2,142,000
2,966,448	926,220	2,252,258	6,945,154	17,770,880
5,816,469	926,220	2,252,258	28,897,315	83,131,302
-	7,379,062	3,866,109	20,422,496	77,885,660
16,507,666	29,878,347	4,690,584	20,273,670	115,009,062
16,507,666	37,257,409	8,556,693	40,696,166	192,894,722
30,654,934	-	-	42,734,453	108,335,024
<u>\$ 52,979,069</u>	<u>\$ 38,183,629</u>	<u>\$ 10,808,951</u>	<u>\$ 112,327,934</u>	<u>\$ 384,361,048</u>



## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 11. Fund Balances (Continued)

Reserves for loan receivables, inventory, prepaid items and advances to other funds, net of accrued interest recorded as deferred revenue, are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Reserves for flower-fields preservation represent resources set aside to support floriculture research for the preservation of the "Flower Fields" located in Carlsbad.

Reserves for library endowment represent resources set aside to support programs in the Dove Library auditorium.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Unreserved-undesignated and unrestricted represents the fund balance or net assets remaining after reduction for reserved and designated fund balances or net assets.

#### Note 12. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2006:

	Deficit Balance
Debt Service Funds:	
Redevelopment Areas	\$ (12,573,446)
Internal Service Funds:	
Risk Management	(52,394)

## CITY OF CARLSBAD

### Notes to the Financial Statements

#### Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Fund	Transfers In From Other Funds	Transfers Out To Other Funds
Major Funds:		
General	\$ 76,666	\$ 6,033,432
Redevelopment Debt Service Funds	-	1,000,000
Capital Project Funds:		
Assessment and Other Districts	3,861,887	4,184,941
General Capital Construction	600,000	-
Rancho Santa Fe Road Project	136,933	-
Nonmajor Governmental Funds	7,009,367	1,115,127
Enterprise Funds, Carlsbad Municipal Water District	55,687	-
Enterprise Funds, Sewer	259,528	-
Internal Service Funds	633,432	300,000
Totals	\$ 12,633,500	\$ 12,633,500

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) move the remaining fund balances of closed funds to the General Fund, (3) move revenues and expenditures to the appropriate funds, and (4) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Note 14. Risk Management

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The City uses a Risk Management Self-Insurance Fund, a Self Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All funds of the City make payments based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

Since July 1, 1999, the City has been a member of the California Municipal Excess Liability Program, a group purchase program for general liability coverage. Under this program, the pool provides coverage up to a maximum of \$10,000,000 per occurrence with a self-insured retention provided by the City in the amount of \$500,000. At June 30, 2006, the unencumbered fund equity for the Risk Management Self-Insurance fund was approximately (\$52,000) due to the large increase in estimated claims payable reserves in Fiscal Year 2004-05. Although there is currently insufficient cash in the fund to pay all existing and anticipated expenditures at June 30, 2006, additional cash will be available in the fund to cover these claims through the rates being charged during the 2006-07 Fiscal Year. The existing deficit will also be addressed through the rates set in the 2006-07 annual budget.

The City is a defendant in a substantial property damage claim resulting from the heavy rains that occurred in fiscal year 2005. In the opinion of the City's legal counsel, this claim is without substantial merit and should not result in a judgement which would have a material adverse effect of the City's financial statements. However, should the other party prevail, the City will be financially obligated. It is not possible at this time to determine the ultimate amount, if any, that the City may be obligated for.

Dental insurance coverage for City employees is administered by CoreSource. Under the City's agreement with CoreSource, CoreSource will pay dental claims for each covered member, up to a maximum of \$1,500 per calendar year.

# CITY OF CARLSBAD

## Notes to the Financial Statements

### Note 14. Risk Management (Continued)

The City is insured for workers' compensation claims by Continental Casualty. Continental Casualty provides coverage for losses which exceed the City's self-insured retention of \$1,000,000 per claim. At June 30, 2006, the unencumbered fund equity for the Workers' Compensation Self-Insurance fund was approximately \$1,212,000.

The estimated claims payable reported at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. Changes in the estimated claims payable amounts in Fiscal Years 2005 and 2006 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits fund:				
2004-2005	\$ 77,863	\$ 403,965	\$ (403,342)	\$ 78,486
2005-2006	\$ 78,486	\$ 396,579	\$ (397,199)	\$ 77,866
Risk Management fund:				
2004-2005	\$ 620,678	\$ 1,537,137	\$ (229,972)	\$ 1,927,843
2005-2006	\$ 1,927,843	\$ (551,681)	\$ (624,142)	\$ 752,020
Workers' Compensation fund:				
2004-2005	\$ 2,908,890	\$ 1,838,796	\$ (1,133,909)	\$ 3,613,777
2005-2006	\$ 3,613,777	\$ 934,484	\$ (1,250,313)	\$ 3,297,948

### Note 15. Joint Ventures

#### Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the Facilities) are sewer facilities owned jointly by the Cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the facilities. It is responsible for the management, maintenance and operations of the joint system. Ownership interests in the facilities are determined by joint agreement at the time the assets are acquired. As of June 30, 2006, the Cities and Districts have the following approximate ownership interest:

City of Carlsbad	25%
City of Vista	22%
Leucadia Wastewater District	20%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

EWA's financial statements for the fiscal year ended June 30, 2005 (the latest available) incorporated the provisions of GASB 34 and reflect the following:

Total assets	\$ 66,487,445
Total liabilities	3,649,739
Net assets	<u>\$ 62,837,706</u>

The EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users'



## CITY OF CARLSBAD

### Notes to the Financial Statements

#### Note 15. Joint Ventures (Continued)

assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating income for the EWA totaled \$12,088 in Fiscal Year 2005. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at [www.encinajpa.com](http://www.encinajpa.com).

#### Encina Financing Joint Powers Authority

The Encina Financing Joint Powers Authority (the Authority) was created on February 1, 1989 between the City of Carlsbad (Carlsbad), the City of Vista (Vista), the Buena Vista Sanitation District (Buena) and the Leucadia County Water District (Leucadia). The primary purpose of the Authority is to issue revenue bonds in order to finance the expansion of the Facility.

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the City of Carlsbad's Finance department.

In August 1989, the Authority issued \$33,500,000 of revenue bonds and executed installment purchase agreements for approximately the same amount. In February 1997, bonds were issued by the Authority to refinance and defease the outstanding bonds. Two of the members (Buena and Vista) defeased their 1989 obligations through available funds; while Carlsbad and Leucadia refinanced their obligations. Repayment of the bonds will be accomplished through payments made by Carlsbad and Leucadia pursuant to the new installment purchase agreements. The individual agreements set forth the purchase price and specify the debt service requirements for each member.

The following is a table of the outstanding balance owed as of June 30, 2006:

Member	Agreement Balance
City of Carlsbad	\$ 6,730,000
Leucadia Wastewater District	4,590,000
	<u>\$ 11,320,000</u>

The installment balances are secured by a pledge of the revenues from each member's wastewater system, net of a deduction for maintenance and operating costs. Significant covenants within the agreements require the members to maintain insurance on the facility, and establish wastewater rates which are sufficient to pay the operating costs and debt service on the bonds and which will result in net revenues equal to at least 1.25 times the annual installment payments due.

The City's share in the accounts of the Authority is recorded in the Sewer Enterprise Fund. The expansion of the Facility is shown as a capital asset of the Sewer Enterprise Fund.

#### Note 16. Retirement Plan

##### Plan description

The City of Carlsbad contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions, and all other requirements, are established by state statutes and city ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

##### Funding policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes 7% of the required 8% contributions for non-safety employees, and 8% of the required 9% contributions for the City's safety employees. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2006, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 27.927% for safety employees

**CITY OF CARLSBAD****Notes to the Financial Statements****Note 16. Retirement Plan (Continued)**

and 20.869% for miscellaneous employees. The contribution requirements of plan members and the City are established by PERS.

In October 2006, the City was notified by PERS that the employer contribution rate for the City of Carlsbad (as a percentage of payroll) will be 28.462% for safety employees and 20.478% for miscellaneous employees for the fiscal year ended June 30, 2008.

**Annual pension cost**

For Fiscal Year 2005-06, the City's annual pension cost (employer contribution) of \$4,152,149 for safety and \$5,667,848 for miscellaneous to PERS was equal to the City's required and actual contributions. For Fiscal Year 2005-06, the member contributions paid by the City and its employees were \$1,377,883 for safety and \$2,254,137 for miscellaneous. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) 3.0% inflation factor, (d) payroll growth of 3.25%, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

**Three-year trend information for PERS (safety)**

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	\$ 1,704,651	100%	\$ -
6/30/05	\$ 3,917,550	100%	\$ -
6/30/06	\$ 4,152,149	100%	\$ -

**Three-year trend information for PERS (miscellaneous)**

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	\$ 579,190	100%	\$ -
6/30/05	\$ 3,112,596	100%	\$ -
6/30/06	\$ 5,667,848	100%	\$ -



# CITY OF CARLSBAD

## Notes to the Financial Statements

### Note 16. Retirement Plan (Continued)

#### Required supplementary information

##### Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 99,827,853	\$ 85,963,105	\$ 13,864,748	86.1%	\$ 12,709,908	109.1%
6/30/04	\$ 110,306,847	\$ 92,529,369	\$ 17,777,478	83.9%	\$ 13,382,181	132.8%
6/30/05	\$ 123,237,518	\$ 102,021,173	\$ 21,216,345	82.8%	\$ 14,305,227	148.3%

##### Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 121,455,280	\$ 98,339,566	\$ 23,115,714	81.0%	\$ 25,059,422	92.2%
6/30/04	\$ 132,074,893	\$ 105,423,856	\$ 26,651,037	79.8%	\$ 26,476,671	100.7%
6/30/05	\$ 149,626,877	\$ 117,576,007	\$ 32,050,870	78.6%	\$ 26,688,294	120.1%

### Note 17. Postretirement Healthcare

The majority of City of Carlsbad employees are under the City of Carlsbad defined contribution plan. The Carlsbad Municipal Water District has a defined benefit plan.

#### Carlsbad Municipal Water District

The first plan is for active and retired employees that were employed with the Carlsbad Municipal Water District (CMWD) at the time the District was acquired by the City. Per Resolution 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of 50, with no less than five years of service and whose age, combined with years of service, equals 70 or more. There are approximately eleven active and thirteen retired plan members as of June 30, 2006.

The City pays for 100% of the premiums for health insurance which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. This plan is administered by the Association of California Water Agencies (ACWA). Expenditures were approximately \$103,000 for post-retirement health care costs during Fiscal Year 2005-06. Based on an actuarial valuation performed as of June 30, 2006, the District's liability for the current and past service costs of these benefits is approximately \$2,821,000.

#### City of Carlsbad

City of Carlsbad retirees are eligible for a postretirement healthcare subsidy. This plan is administered by the Public Employees Retirement System (PERS). There are approximately 630 active and 93 retired plan members as of June 30, 2006. Surviving spouses of eligible retirees are eligible for the City subsidy. Surviving spouses/domestic partners of deceased active members are eligible for the City subsidy only if the employee had attained age 50 with five years of service.



## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 17. Postretirement Healthcare (Continued)

The City pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar year 2006	\$64.60
Calendar year 2007	\$80.80
Calendar year 2008	\$97.90

Thereafter, the subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index. Expenditures for postretirement health care benefits are funded on a pay-as-you-go basis. Expenditures were approximately \$63,000 for City subsidy payments during Fiscal Year 2005-06. Based on an actuarial valuation performed as of June 30, 2006, the City's liability for the current and past service costs of these benefits is approximately \$7,771,000.

The GASB recently issued Statement No. 45 to address the accounting and disclosure treatment for this type of plan. Effective with the fiscal year ending June 30, 2008, the City will be required to recognize postretirement health care costs on an accrual basis over a period approximating the employees' years of service, and to provide information about actuarial liabilities associated with these benefits, and whether and to what extent progress is being made in funding the plan.

#### Note 18. Commitments and Contingencies

##### Operating lease

In June 1988, the Carlsbad Redevelopment Agency entered into an agreement to lease a parking lot on State Street from a private party. The lease requires monthly rental payments, adjusted annually based upon an increase in the consumer price index, not to exceed 6% of the previous year's rents, and re-adjusted in years 10 and 15 based upon market rental values, through August 2007. Current fiscal year lease payments totaled \$88,720.

Minimum future rental payments under the operating lease as of June 30, 2006 are:

2007	94,044
2008	15,674
Total minimum future rental payments	<u>\$ 109,718</u>

##### Water purchase agreements

On March 25, 1991, the Carlsbad Municipal Water District (CMWD) entered into a twenty year agreement with the Leucadia County Water District, to purchase recycled water to be used primarily for irrigation at the La Costa Resort & Spa golf course, and for other appropriate uses within the CMWD's boundaries. CMWD agreed to purchase of minimum of 394 acre feet of recycled water per fiscal year, at a basic price of retail potable water charged to residential users within the CMWD boundary. The current cost is \$688.25 per acre foot or a minimum of \$271,170.50 per fiscal year, regardless of the actual amount used.

On August 5, 2003, CMWD entered into a twenty-two year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360 acre feet) of recycled water for uses throughout CMWD's boundaries. The agreement stipulates that CMWD pay for the actual operating costs of the Mahr Reservoir, which produces the water, since CMWD is the only customer of the water produced. The estimated operating costs for the period ended June 30, 2006 is \$640,000.

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### Note 19. Change in Accounting Principle

Effective July 1, 2005, the City capitalized all general infrastructure assets acquired prior to July 1, 2001 in the Statement of Net Assets, in accordance with GASB 34. The cumulative effect of this change in accounting principle upon the beginning net assets balance of governmental activities is as follows:

	<u>Governmental Activities</u>
Net assets at July 1, 2005	\$ 738,099,131
Capitalization of all general infrastructure assets acquired prior to July 1, 2001	<u>221,709,779</u>
Net assets at July 1, 2005, as restated	<u>\$ 959,808,910</u>





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## **SUPPLEMENTARY INFORMATION**

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## CITY OF CARLSBAD

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
<b>ASSETS</b>					
Cash and investments	\$ 11,209,014	\$ 18,542	\$ 1,734,312	\$ 2,697,640	\$ 5,711,247
Receivables:					
Taxes	-	-	-	-	-
Other	-	-	-	11,015	-
Accounts, net	-	-	10,175	9,494	-
Due from other funds	-	-	-	-	-
Due from other governments	295,407	16,252	-	-	-
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	-	-	-	-	-
Loan receivables	10,001,933	224,404	-	-	-
Advances to other funds	-	-	-	-	4,643,344
<b>Total assets</b>	<b>\$ 21,506,354</b>	<b>\$ 259,198</b>	<b>\$ 1,744,487</b>	<b>\$ 2,718,149</b>	<b>\$ 10,354,591</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accrued liabilities	\$ 12,677	\$ 34,794	\$ 21,753	\$ 92,068	\$ 6,934
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	630,751	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>12,677</b>	<b>34,794</b>	<b>21,753</b>	<b>722,819</b>	<b>6,934</b>
Fund balances:					
Reserved for:					
Loans receivable	10,001,933	224,404	-	-	-
Prepaid items	-	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	-	-	4,643,344
Flower fields preservation	-	-	935,000	-	-
Library endowment	-	-	251,000	-	-
Low and moderate income housing	1,932,000	-	-	-	-
Encumbrances	25,810	108,956	21,431	131,506	364,450
Unreserved:					
Designated for approved capital projects	-	-	-	-	1,269,574
Designated for continuing appropriations	-	-	172,401	-	4,070,289
Undesignated	9,533,934	(108,956)	342,902	1,863,824	-
<b>Total fund balances</b>	<b>21,493,677</b>	<b>224,404</b>	<b>1,722,734</b>	<b>1,995,330</b>	<b>10,347,657</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,506,354</b>	<b>\$ 259,198</b>	<b>\$ 1,744,487</b>	<b>\$ 2,718,149</b>	<b>\$ 10,354,591</b>

Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 7,041,515	\$ 3,163,802	\$ 1,210,814	\$ 715,830	\$ 92,767	\$ 1,016,066	\$ 34,611,549
-	37,222	-	-	-	-	37,222
-	368	-	-	-	-	11,383
-	-	-	-	12,703	-	32,372
-	-	-	-	-	-	-
-	-	-	-	-	-	311,659
-	-	-	-	332,760	-	332,760
-	-	-	-	-	-	-
-	2,762,220	-	-	-	-	12,988,557
-	-	-	-	-	-	4,643,344
<u>\$ 7,041,515</u>	<u>\$ 5,963,612</u>	<u>\$ 1,210,814</u>	<u>\$ 715,830</u>	<u>\$ 438,230</u>	<u>\$ 1,016,066</u>	<u>\$ 52,968,846</u>
\$ -	\$ 3,854	\$ 7,488	\$ 27,831	\$ 26,233	\$ -	\$ 233,632
-	-	-	-	-	-	-
-	-	-	-	42,800	21,724	64,524
-	-	-	-	-	-	630,751
-	-	-	-	-	-	-
-	3,854	7,488	27,831	69,033	21,724	928,907
-	2,762,220	-	-	-	-	12,988,557
-	-	-	-	332,760	-	332,760
-	-	-	-	-	-	-
-	-	-	-	-	-	4,643,344
-	-	-	-	-	-	935,000
-	-	-	-	-	-	251,000
-	210,000	-	-	-	-	2,142,000
4,669	5,739	4,762	53,553	2,175	-	723,051
-	-	-	-	-	-	1,269,574
12,684	-	209	50,901	-	-	4,306,484
7,024,162	2,981,799	1,198,355	583,545	34,262	994,342	24,448,169
<u>7,041,515</u>	<u>5,959,758</u>	<u>1,203,326</u>	<u>687,999</u>	<u>369,197</u>	<u>994,342</u>	<u>52,039,939</u>
<u>\$ 7,041,515</u>	<u>\$ 5,963,612</u>	<u>\$ 1,210,814</u>	<u>\$ 715,830</u>	<u>\$ 438,230</u>	<u>\$ 1,016,066</u>	<u>\$ 52,968,846</u>

(Continued)



## CITY OF CARLSBAD

Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
June 30, 2006

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Infrastructure Replacement	Park Development
<b>ASSETS</b>					
Cash and investments	\$ 876,778	\$ 9,373,847	\$ 188,859	\$ 21,744,498	\$ 6,004,845
Receivables:					
Taxes	-	-	-	-	-
Other	15,684	-	-	-	-
Accounts, net	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	266,281	-	-
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	659,500	-	-	-	-
Loan receivables	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,551,962</b>	<b>\$ 9,373,847</b>	<b>\$ 455,140</b>	<b>\$ 21,744,498</b>	<b>\$ 6,004,845</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accrued liabilities	\$ -	\$ 798	\$ 177,579	\$ 18,330	\$ 1,047
Due to other funds	-	-	260,401	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	3,643,344	-	-	2,430,000
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>3,644,142</b>	<b>437,980</b>	<b>18,330</b>	<b>2,431,047</b>
Fund balances:					
Reserved for:					
Loans receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Debt service	659,500	-	-	-	-
Advances to other funds	-	-	-	-	-
Flower fields preservation	-	-	-	-	-
Library endowment	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-
Encumbrances	-	21,490	464,867	1,441,725	974,443
Unreserved:					
Designated for approved capital projects	-	4,901,391	-	-	2,344,866
Designated for continuing appropriations	41,358	806,824	-	2,401,556	254,489
Undesignated	851,104	-	(447,707)	17,882,887	-
<b>Total fund balances</b>	<b>1,551,962</b>	<b>5,729,705</b>	<b>17,160</b>	<b>21,726,168</b>	<b>3,573,798</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,551,962</b>	<b>\$ 9,373,847</b>	<b>\$ 455,140</b>	<b>\$ 21,744,498</b>	<b>\$ 6,004,845</b>

**Capital Project Funds**

Planned Local Drainage Facilities	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 9,680,624	\$ 930,122	\$ 8,148,844	\$ 10,805,084	\$ 66,876,723	\$ 102,365,050
-	-	-	-	-	37,222
76,714	-	-	-	76,714	103,781
-	9,651	-	-	9,651	42,023
-	-	123,468	-	123,468	123,468
-	-	68,525	-	334,806	646,465
-	-	-	-	-	332,760
-	-	-	-	-	659,500
-	-	-	-	-	12,988,557
-	-	-	-	-	4,643,344
<u>\$ 9,757,338</u>	<u>\$ 939,773</u>	<u>\$ 8,340,837</u>	<u>\$ 10,805,084</u>	<u>\$ 67,421,362</u>	<u>\$ 121,942,170</u>
\$ 111,627	\$ 33,410	\$ 383,254	\$ 122,528	\$ 848,573	\$ 1,082,205
-	-	-	-	260,401	260,401
-	6,276	-	-	6,276	70,800
420,021	-	1,000,000	-	7,493,365	8,124,116
76,714	-	-	-	76,714	76,714
<u>608,362</u>	<u>39,686</u>	<u>1,383,254</u>	<u>122,528</u>	<u>8,685,329</u>	<u>9,614,236</u>
-	-	-	-	-	12,988,557
-	-	-	-	-	332,760
-	-	-	-	-	659,500
-	-	-	-	-	4,643,344
-	-	-	-	-	935,000
-	-	-	-	-	251,000
-	-	-	-	-	2,142,000
434,021	233,203	1,062,799	1,589,555	6,222,103	6,945,154
5,297,131	-	282,432	6,327,102	19,152,922	20,422,496
3,417,824	666,884	5,612,352	2,765,899	15,925,828	20,273,670
-	-	-	-	17,435,180	42,734,453
<u>9,148,976</u>	<u>900,087</u>	<u>6,957,583</u>	<u>10,682,556</u>	<u>58,736,033</u>	<u>112,327,934</u>
<u>\$ 9,757,338</u>	<u>\$ 939,773</u>	<u>\$ 8,340,837</u>	<u>\$ 10,805,084</u>	<u>\$ 67,421,362</u>	<u>\$ 121,942,170</u>

## CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2006

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,743,693
Intergovernmental	295,407	1,046,363	-	-	-
Charges for services	57,102	-	54,850	1,989,367	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	240,700	143,195	39,787	62,664	169,708
Interdepartmental charges	-	-	-	28,000	-
Contributions from property owners	847,500	-	-	6,000	3,735
Donations	-	-	129,558	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>1,440,709</u>	<u>1,189,558</u>	<u>224,195</u>	<u>2,086,031</u>	<u>1,917,136</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	252,157	249,045	67,870	-	-
Community services	-	-	181,964	-	-
Public works	-	-	-	2,281,010	-
Capital outlay	-	243,536	-	144,423	2,820,665
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>252,157</u>	<u>492,581</u>	<u>249,834</u>	<u>2,425,433</u>	<u>2,820,665</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,188,552</u>	<u>696,977</u>	<u>(25,639)</u>	<u>(339,402)</u>	<u>(903,529)</u>
<b>Other financing sources (uses):</b>					
Transfers in	472,573	-	-	-	57,839
Transfers out	-	(472,573)	-	-	(7,500)
<b>Total other financing sources (uses)</b>	<u>472,573</u>	<u>(472,573)</u>	<u>-</u>	<u>-</u>	<u>50,339</u>
<b>Net change in fund balances</b>	<u>1,661,125</u>	<u>224,404</u>	<u>(25,639)</u>	<u>(339,402)</u>	<u>(853,190)</u>
Fund balances (deficits) at beginning of year	<u>19,832,552</u>	<u>-</u>	<u>1,748,373</u>	<u>2,334,732</u>	<u>11,200,847</u>
Fund balances at end of year	<u>\$ 21,493,677</u>	<u>\$ 224,404</u>	<u>\$ 1,722,734</u>	<u>\$ 1,995,330</u>	<u>\$ 10,347,657</u>



Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ 596,812	\$ -	\$ -	\$ -	\$ -	\$ 2,340,505
-	-	32,462	158,974	6,013,874	-	7,547,080
-	-	-	-	-	431,118	2,532,437
-	-	-	114,926	-	-	114,926
158,796	148,791	28,610	12,624	1,577	17,788	1,024,240
-	-	-	-	-	-	28,000
82,888	-	-	-	-	-	940,123
-	-	-	-	-	-	129,558
-	-	-	-	13,257	-	13,257
241,684	745,603	61,072	286,524	6,028,708	448,906	14,670,126
-	-	28,058	-	-	-	28,058
-	-	-	163,124	-	-	163,124
2,316	97,339	-	-	5,732,312	280,377	6,681,416
-	-	48,983	-	-	-	230,947
-	-	-	-	-	-	2,281,010
-	-	-	51,124	-	-	3,259,748
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,316	97,339	77,041	214,248	5,732,312	280,377	12,644,303
239,368	648,264	(15,969)	72,276	296,396	168,529	2,025,823
-	-	-	-	-	-	530,412
-	-	-	-	-	-	(480,073)
-	-	-	-	-	-	50,339
239,368	648,264	(15,969)	72,276	296,396	168,529	2,076,162
6,802,147	5,311,494	1,219,295	615,723	72,801	825,813	49,963,777
<u>\$ 7,041,515</u>	<u>\$ 5,959,758</u>	<u>\$ 1,203,326</u>	<u>\$ 687,999</u>	<u>\$ 369,197</u>	<u>\$ 994,342</u>	<u>\$ 52,039,939</u>

(Continued)

## CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds (Continued)  
 For the Year Ended June 30, 2006

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Infrastructure Replacement	Park Development
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,699,046	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	58,197	197,491	9,407	512,908	109,261
Interdepartmental charges	-	-	-	-	-
Contributions from property owners	-	1,273,232	-	-	1,510,100
Donations	-	-	-	-	-
Miscellaneous	-	540	-	24,862	-
<b>Total revenues</b>	<b>58,197</b>	<b>1,471,263</b>	<b>1,708,453</b>	<b>537,770</b>	<b>1,619,361</b>
Expenditures:					
Current:					
General government	-	20,312	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	116	1,549,158	1,457,728	216,470
Debt service:					
Principal retirement	635,000	-	-	-	-
Interest and fiscal charges	113,058	-	-	-	-
<b>Total expenditures</b>	<b>748,058</b>	<b>20,428</b>	<b>1,549,158</b>	<b>1,457,728</b>	<b>216,470</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(689,861)</b>	<b>1,450,835</b>	<b>159,295</b>	<b>(919,958)</b>	<b>1,402,891</b>
Other financing sources (Uses):					
Transfers in	800,000	-	-	4,250,000	-
Transfers out	-	-	(565,888)	-	-
<b>Total other financing sources (uses)</b>	<b>800,000</b>	<b>-</b>	<b>(565,888)</b>	<b>4,250,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>110,139</b>	<b>1,450,835</b>	<b>(406,593)</b>	<b>3,330,042</b>	<b>1,402,891</b>
Fund balances at beginning of year	1,441,823	4,278,870	423,753	18,396,126	2,170,907
Fund balances at end of year	<u>\$ 1,551,962</u>	<u>\$ 5,729,705</u>	<u>\$ 17,160</u>	<u>\$ 21,726,168</u>	<u>\$ 3,573,798</u>

**Capital Project Funds**

Planned Local Drainage Facilities	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,340,505
-	-	1,060,000	-	2,759,046	10,306,126
-	21,675	732,217	-	753,892	3,286,329
-	-	-	-	-	114,926
233,658	90,993	201,165	235,867	1,590,750	2,673,187
-	-	-	-	-	28,000
740,738	20,000	-	1,154,163	4,698,233	5,638,356
-	-	-	-	-	129,558
-	-	-	9,458	34,860	48,117
<u>974,396</u>	<u>132,668</u>	<u>1,993,382</u>	<u>1,399,488</u>	<u>9,836,781</u>	<u>24,565,104</u>
-	-	7,418	3,405	31,135	59,193
-	-	-	-	-	163,124
-	569,654	-	-	569,654	7,251,070
-	-	-	-	-	230,947
-	-	-	-	-	2,281,010
1,263,885	232,199	4,469,661	506,005	9,695,222	12,954,970
-	-	-	-	-	635,000
-	-	-	-	-	113,058
<u>1,263,885</u>	<u>801,853</u>	<u>4,477,079</u>	<u>509,410</u>	<u>10,296,011</u>	<u>23,688,372</u>
<u>(289,489)</u>	<u>(669,185)</u>	<u>(2,483,697)</u>	<u>890,078</u>	<u>(459,230)</u>	<u>876,732</u>
-	1,000,000	428,955	-	5,678,955	7,009,367
-	(69,166)	-	-	(635,054)	(1,115,127)
-	930,834	428,955	-	5,043,901	5,894,240
<u>(289,489)</u>	<u>261,649</u>	<u>(2,054,742)</u>	<u>890,078</u>	<u>4,584,671</u>	<u>6,770,972</u>
<u>9,438,465</u>	<u>638,438</u>	<u>9,012,325</u>	<u>9,792,478</u>	<u>54,151,362</u>	<u>105,556,962</u>
<u>\$ 9,148,976</u>	<u>\$ 900,087</u>	<u>\$ 6,957,583</u>	<u>\$ 10,682,556</u>	<u>\$ 58,736,033</u>	<u>\$ 112,327,934</u>



CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds  
Year Ended June 30, 2006

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 1,570,000	\$ 1,604,481	\$ 34,481
Total expenditures	438,599	277,967	(160,632)
Net change in fund balance	<u>1,131,401</u>	<u>1,326,514</u>	<u>195,113</u>
Community Development Block Grant			
Total revenues	1,080,000	1,189,558	109,558
Total expenditures	1,092,916	601,537	(491,379)
Net change in fund balance	<u>(12,916)</u>	<u>588,021</u>	<u>600,937</u>
Donations and Endowments			
Total revenues	202,000	249,340	47,340
Total expenditures	585,975	271,265	(314,710)
Net change in fund balance	<u>(383,975)</u>	<u>(21,925)</u>	<u>362,050</u>
Financing Districts			
Total revenues	2,111,000	2,120,569	9,569
Total expenditures	3,195,031	2,556,939	(638,092)
Net change in fund balance	<u>(1,084,031)</u>	<u>(436,370)</u>	<u>647,661</u>
Gas Tax			
Total revenues	2,069,211	1,995,664	(73,547)
Total expenditures	7,130,358	3,185,115	(3,945,243)
Net change in fund balance	<u>(5,061,147)</u>	<u>(1,189,451)</u>	<u>3,871,696</u>
Habitat and Agricultural Management			
Total revenues	-	344,308	344,308
Total expenditures	9,669	6,985	(2,684)
Net change in fund balance	<u>(9,669)</u>	<u>337,323</u>	<u>346,992</u>
Low and Moderate Income Housing			
Total revenues	698,000	791,418	93,418
Total expenditures	134,793	103,078	(31,715)
Net change in fund balance	<u>563,207</u>	<u>688,340</u>	<u>125,133</u>

(Continued)

**CITY OF CARLSBAD**

**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds (Continued)  
Year Ended June 30, 2006**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Other Special Revenue Funds			
Total revenues	\$ 43,000	\$ 78,631	\$ 35,631
Total expenditures	98,712	81,803	(16,909)
Net change in fund balance	<u>(55,712)</u>	<u>(3,172)</u>	<u>52,540</u>
Police Grants and Asset Forfeiture			
Total revenues	269,000	297,005	28,005
Total expenditures	318,704	267,801	(50,903)
Net change in fund balance	<u>(49,704)</u>	<u>29,204</u>	<u>78,908</u>
Section 8 Rental Assistance			
Total revenues	6,008,000	6,028,708	20,708
Total expenditures	5,981,340	5,734,487	(246,853)
Net change in fund balance	<u>26,660</u>	<u>294,221</u>	<u>267,561</u>
Totals			
Total revenues	14,050,211	14,699,682	649,471
Total expenditures	18,986,097	13,086,977	(5,899,120)
Net change in fund balance	<u>\$ (4,935,886)</u>	<u>\$ 1,612,705</u>	<u>\$ 6,548,591</u>

**CITY OF CARLSBAD**

**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Debt Service Funds  
Year Ended June 30, 2006**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	\$ 2,265,000	\$ 2,461,851	\$ 196,851
Total expenditures	1,914,976	1,898,860	(16,116)
Net change in fund balance	<u>\$ 350,024</u>	<u>\$ 562,991</u>	<u>\$ 212,967</u>





## CITY OF CARLSBAD

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2006

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 8,487,389	\$ 3,468,849	\$ 4,217,553
Receivables:			
Accounts, net	1,449	972	-
Inventory	195,873	-	-
<b>Total current assets</b>	<u>8,684,711</u>	<u>3,469,821</u>	<u>4,217,553</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	13,071,542	-	3,141,000
Less accumulated depreciation	<u>(7,536,772)</u>	<u>-</u>	<u>(2,745,852)</u>
Total capital assets (net of accumulated depreciation)	<u>5,534,770</u>	<u>-</u>	<u>395,148</u>
Total noncurrent assets	<u>5,534,770</u>	<u>-</u>	<u>395,148</u>
<b>Total assets</b>	<u>\$ 14,219,481</u>	<u>\$ 3,469,821</u>	<u>\$ 4,612,701</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	\$ 161,864	\$ 2,754,463	\$ 246,316
Estimated claims payable	-	77,866	-
<b>Total current liabilities</b>	<u>161,864</u>	<u>2,832,329</u>	<u>246,316</u>
<b>Total liabilities</b>	<u>161,864</u>	<u>2,832,329</u>	<u>246,316</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,534,770	-	395,148
Unrestricted	<u>8,522,847</u>	<u>637,492</u>	<u>3,971,237</u>
<b>Total net assets</b>	<u>\$ 14,057,617</u>	<u>\$ 637,492</u>	<u>\$ 4,366,385</u>

Risk Management	Workers' Compensation	Total
\$ 772,698	\$ 4,516,954	\$ 21,463,443
-	-	2,421
-	-	195,873
772,698	4,516,954	21,661,737
-	-	16,212,542
-	-	(10,282,624)
-	-	5,929,918
-	-	5,929,918
\$ 772,698	\$ 4,516,954	\$ 27,591,655
\$ 73,072	\$ 6,630	\$ 3,242,345
752,020	3,297,948	4,127,834
825,092	3,304,578	7,370,179
825,092	3,304,578	7,370,179
-	-	5,929,918
(52,394)	1,212,376	14,291,558
\$ (52,394)	\$ 1,212,376	\$ 20,221,476



CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2006

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 3,437,292	\$ 848,481	\$ 4,126,816
Miscellaneous	15,016	-	-
<b>Total operating revenues</b>	<b>3,452,308</b>	<b>848,481</b>	<b>4,126,816</b>
Operating expenses:			
Depreciation	1,276,098	-	162,436
Fuel and supplies	928,615	-	-
Claims expense	-	735,589	-
Small equipment purchases	-	-	22,317
General and administrative	1,443,359	-	3,936,688
<b>Total operating expenses</b>	<b>3,648,072</b>	<b>735,589</b>	<b>4,121,441</b>
<b>Operating income (loss)</b>	<b>(195,764)</b>	<b>112,892</b>	<b>5,375</b>
Nonoperating revenues (expenses):			
Income from property and investments	188,111	-	86,996
Intergovernmental	-	-	27,878
Gain (loss) on sale of property	39,516	-	2,000
<b>Total nonoperating revenues (expenses)</b>	<b>227,627</b>	<b>-</b>	<b>116,874</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>31,863</b>	<b>112,892</b>	<b>122,249</b>
Transfers in	333,432	-	-
Transfers out	-	(300,000)	-
Capital contributions	231,089	-	-
<b>Change in net assets</b>	<b>596,384</b>	<b>(187,108)</b>	<b>122,249</b>
Total net assets at beginning of year	13,461,233	824,600	4,244,136
Total net assets at end of year	<u>\$ 14,057,617</u>	<u>\$ 637,492</u>	<u>\$ 4,366,385</u>

Risk Management	Workers' Compensation	Totals
\$ 1,284,459	\$ 2,200,239	\$ 11,897,287
309,763	70,446	395,225
1,594,222	2,270,685	12,292,512
-	-	1,438,534
-	-	928,615
-	1,215,593	1,951,182
-	-	22,317
1,104,140	117,670	6,601,857
1,104,140	1,333,263	10,942,505
490,082	937,422	1,350,007
21,391	83,157	379,655
-	-	27,878
-	-	41,516
21,391	83,157	449,049
511,473	1,020,579	1,799,056
-	300,000	633,432
-	-	(300,000)
-	-	231,089
511,473	1,320,579	2,363,577
(563,867)	(108,203)	17,857,899
\$ (52,394)	\$ 1,212,376	\$ 20,221,476

**CITY OF CARLSBAD**

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 3,437,291	\$ 848,481	\$ 4,126,816
Payments to suppliers	(1,576,313)	-	(1,858,956)
Payments to employees	(719,564)	-	(1,886,097)
Internal activity - payments to other funds	(276,913)	-	(433,030)
Claims paid	-	(735,588)	-
Other receipts	15,016	107,507	-
Net cash provided by (used in) operating activities	879,517	220,400	(51,267)
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	333,432	(300,000)	-
Cash flows from capital and related financing activities:			
Capital contributions	-	-	782,747
Purchases of capital assets	(1,426,969)	-	(42,466)
Net cash provided by (used in) capital and related financing activities	(1,426,969)	-	740,281
Cash flows from investing activities:			
Interest on investments	188,111	-	86,996
Net increase (decrease) in cash and cash equivalents	(25,909)	(79,600)	776,010
Cash and cash equivalents at beginning of year	8,513,298	3,548,449	3,441,543
Cash and cash equivalents at end of year	\$ 8,487,389	\$ 3,468,849	\$ 4,217,553



	Risk Management	Workers' Compensation	Total
\$	1,284,459	\$ 2,200,239	\$ 11,897,286
	(788,492)	-	(4,223,761)
	(211,564)	(86,992)	(2,904,217)
	(137,947)	(30,490)	(878,380)
	(897,174)	(1,531,421)	(3,164,183)
	31,114	70,446	224,083
	(719,604)	621,782	950,828
	-	300,000	333,432
	-	-	782,747
	-	-	(1,469,435)
	-	-	(686,688)
	21,391	83,157	379,655
	(698,213)	1,004,939	977,227
	1,470,911	3,512,015	20,486,216
\$	772,698	\$ 4,516,954	\$ 21,463,443

(Continued)

**CITY OF CARLSBAD**

**Combining Statement of Cash Flows  
Internal Service Funds (Continued)  
For the Year Ended June 30, 2006**

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (195,764)	\$ 112,892	\$ 5,375
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,276,098	-	162,436
Change in assets and liabilities:			
(Increase) decrease in receivables	(367)	(803)	-
(Increase) in inventory	(25,238)	-	-
Decrease in prepaid items	-	-	-
Increase (decrease) in accrued liabilities	(175,212)	108,931	(219,078)
Increase (decrease) in estimated claims payable	-	(620)	-
Net cash provided by (used in) operating activities	<u>\$ 879,517</u>	<u>\$ 220,400</u>	<u>\$ (51,267)</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 231,089</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 490,082	\$ 937,422	\$ 1,350,007
-	-	1,438,534
-	-	(1,170)
-	-	(25,238)
-	-	-
(33,863)	188	(319,034)
<u>(1,175,823)</u>	<u>(315,828)</u>	<u>(1,492,271)</u>
<u>\$ (719,604)</u>	<u>\$ 621,782</u>	<u>\$ 950,828</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,089</u>

**CITY OF CARLSBAD**

**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

**For the Year Ended June 30, 2006**

**Contractors' and Miscellaneous Deposits**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 17,540,809	\$ 36,307,836	\$ 35,192,574	\$ 18,656,071
Accrued interest	35,619	26,255	51,632	10,242
<b>Total current assets</b>	<u>\$ 17,576,428</u>	<u>\$ 36,334,091</u>	<u>\$ 35,244,206</u>	<u>\$ 18,666,313</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 3,017,775	\$ 23,124,226	\$ 26,057,822	\$ 84,179
Deposits held for others	14,558,653	39,318,731	35,295,250	18,582,134
<b>Total liabilities</b>	<u>\$ 17,576,428</u>	<u>\$ 62,442,957</u>	<u>\$ 61,353,072</u>	<u>\$ 18,666,313</u>

**Assessment Districts**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,073,928	\$ 19,112,012	\$ 18,482,355	\$ 5,703,585
Accrued interest	106,853	334,861	194,133	247,581
<b>Total current assets</b>	<u>5,180,781</u>	<u>19,446,873</u>	<u>18,676,488</u>	<u>5,951,166</u>
Restricted assets:				
Cash and investments	7,200,334	958,101	1,266,780	6,891,655
Accrued interest	88,335	-	88,335	-
<b>Total restricted assets</b>	<u>7,288,669</u>	<u>958,101</u>	<u>1,355,115</u>	<u>6,891,655</u>
<b>Total assets</b>	<u>\$ 12,469,450</u>	<u>\$ 20,404,974</u>	<u>\$ 20,031,603</u>	<u>\$ 12,842,821</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 87,700	\$ 178,951	\$ 153,243	\$ 113,408
Deposits held for others	12,381,750	8,097,422	7,749,759	12,729,413
<b>Total liabilities</b>	<u>\$ 12,469,450</u>	<u>\$ 8,276,373</u>	<u>\$ 7,903,002</u>	<u>\$ 12,842,821</u>

(Continued)



**CITY OF CARLSBAD**

**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds (Continued)**

**For the Year Ended June 30, 2006**

**Total Agency Funds**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 22,614,737	\$ 55,419,848	\$ 53,674,929	\$ 24,359,656
Accrued interest	142,472	361,116	245,765	257,823
<b>Total current assets</b>	<u>22,757,209</u>	<u>55,780,964</u>	<u>53,920,694</u>	<u>24,617,479</u>
Restricted assets:				
Cash and investments	7,200,334	958,101	1,266,780	6,891,655
Accrued interest	88,335	-	88,335	-
<b>Total current assets</b>	<u>7,288,669</u>	<u>958,101</u>	<u>1,355,115</u>	<u>6,891,655</u>
<b>Total assets</b>	<u><u>\$ 30,045,878</u></u>	<u><u>\$ 56,739,065</u></u>	<u><u>\$ 55,275,809</u></u>	<u><u>\$ 31,509,134</u></u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 3,105,475	\$ 23,303,177	\$ 26,211,065	\$ 197,587
Deposits held for others	26,940,403	47,416,153	43,045,009	31,311,547
<b>Total liabilities</b>	<u><u>\$ 30,045,878</u></u>	<u><u>\$ 70,719,330</u></u>	<u><u>\$ 69,256,074</u></u>	<u><u>\$ 31,509,134</u></u>

**CITY OF CARLSBAD**

**Schedule of Annual Debt Service Requirements**

**\$15,495,000 - 1993 Carlsbad Housing and  
Redevelopment Commission Tax Allocation Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2006-07	\$ 317,633	\$ 306,607	\$ 624,240	\$ 420,000	\$ 1,044,240
2007-08	306,607	295,058	601,665	440,000	1,041,665
2008-09	295,058	282,851	577,909	465,000	1,042,909
2009-10	282,851	269,989	552,840	490,000	1,042,840
2010-11	269,989	256,470	526,459	515,000	1,041,459
2011-12	256,470	242,295	498,765	540,000	1,038,765
2012-13	242,295	227,332	469,627	570,000	1,039,627
2013-14	227,332	211,583	438,915	600,000	1,038,915
2014-15	211,583	195,045	406,628	630,000	1,036,628
2015-16	195,045	177,589	372,634	665,000	1,037,634
2016-17	177,589	159,213	336,802	700,000	1,036,802
2017-18	159,214	139,920	299,134	735,000	1,034,134
2018-19	139,920	119,576	259,496	775,000	1,034,496
2019-20	119,576	98,183	217,759	815,000	1,032,759
2020-21	98,182	75,525	173,707	855,000	1,028,707
2021-22	75,525	51,675	127,200	900,000	1,027,200
2022-23	51,675	26,500	78,175	950,000	1,028,175
2023-24	26,500	-	26,500	1,000,000	1,026,500
Totals	<u>\$ 3,453,044</u>	<u>\$ 3,135,411</u>	<u>\$ 6,588,455</u>	<u>\$ 12,065,000</u>	<u>\$ 18,653,455</u>

**\$6,595,000 - 1997 Hosp Grove Certificates of Participation  
(1988 Refunding)**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2006-07	\$ 48,448	\$ 33,372	\$ 81,820	\$ 670,000	\$ 751,820
2007-08	33,373	17,272	50,645	700,000	750,645
2008-09	17,273	-	17,273	735,000	752,273
Totals	<u>\$ 99,094</u>	<u>\$ 50,644</u>	<u>\$ 149,738</u>	<u>\$ 2,105,000</u>	<u>\$ 2,254,738</u>

**CITY OF CARLSBAD**

**Schedule of Annual Debt Service Requirements (Continued)**

**\$11,080,000 - Encina Financing Joint Powers Authority  
Installment Purchase Agreement**

<u>Fiscal Year</u>	<u>Interest Due August 1</u>	<u>Interest Due February 1</u>	<u>Total Interest</u>	<u>Principal Due August 1</u>	<u>Total Annual Debt Service</u>
2006-07	\$ 172,791	\$ 156,153	\$ 328,944	\$ 605,000	\$ 933,944
2007-08	156,153	139,353	295,506	640,000	935,506
2008-09	139,353	122,816	262,169	675,000	937,169
2009-10	122,816	105,191	228,007	705,000	933,007
2010-11	105,191	86,228	191,419	740,000	931,419
2011-12	86,228	66,241	152,469	780,000	932,469
2012-13	66,241	45,228	111,469	820,000	931,469
2013-14	45,228	23,191	68,419	860,000	928,419
2014-15	23,190	-	23,190	905,000	928,190
Totals	<u>\$ 917,191</u>	<u>\$ 744,401</u>	<u>\$ 1,661,592</u>	<u>\$ 6,730,000</u>	<u>\$ 8,391,592</u>

**\$2,331,489 - Carlsbad Municipal Water District  
State Loan for Reclaimed Water Projects**

<u>Fiscal Year</u>	<u>Interest Due November 30</u>	<u>Principal Due November 30</u>	<u>Total Annual Debt Service</u>
2006-07	\$ 31,857	\$ 127,670	\$ 159,527
2007-08	28,155	131,372	159,527
2008-09	24,345	135,181	159,526
2009-10	20,425	139,102	159,527
2010-11	16,391	143,136	159,527
2011-12	12,240	147,287	159,527
2012-13	7,969	151,558	159,527
2013-14	2,682	123,222	125,904
Totals	<u>\$ 144,064</u>	<u>\$ 1,098,528</u>	<u>\$ 1,242,592</u>

**CITY OF CARLSBAD**

**Schedule of Annual Debt Service Requirements (Continued)**

**\$9,493,852 - Carlsbad Municipal Water District  
State Water Resources Control Board Loan**

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2006-07	\$ 382,562	\$ 260,712	\$ 643,274
2007-08	230,829	412,445	643,274
2008-09	220,517	422,756	643,273
2009-10	209,948	433,325	643,273
2010-11	199,115	444,158	643,273
2011-12	188,011	455,262	643,273
2012-13	176,630	466,644	643,274
2013-14	164,964	478,310	643,274
2014-15	153,006	490,268	643,274
2015-16	140,749	502,524	643,273
2016-17	128,186	515,087	643,273
2017-18	115,309	527,965	643,274
2018-19	102,110	541,164	643,274
2019-20	88,581	554,693	643,274
2020-21	74,713	568,560	643,273
2021-22	60,500	582,774	643,274
2022-23	45,930	597,344	643,274
2023-24	30,997	612,277	643,274
2024-25	15,690	627,584	643,274
Totals	<u>\$ 2,728,347</u>	<u>\$ 9,493,852</u>	<u>\$12,222,199</u>



**CITY OF CARLSBAD**  
**Statistical Section**

This section of the City of Carlsbad's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

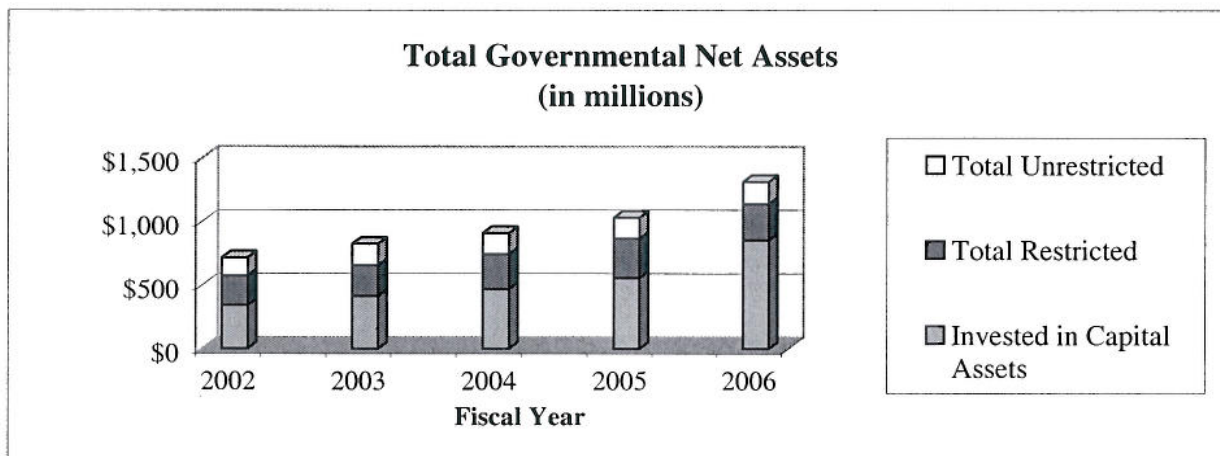
<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>116</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>125</b>
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	
<b>Debt Capacity</b>	<b>130</b>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>140</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	<b>144</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2001-02; schedules presenting government-wide information include information beginning in that year.

# CITY OF CARLSBAD

## Net Assets by Component Last Five Fiscal Years (dollars in thousands)

	2002 (1)	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 198,808	\$ 248,219	\$ 282,728	\$ 342,232	\$ 604,117 (2)
Restricted for:					
Capital assets	130,545	139,760	151,395	175,663	172,474
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144	27,453
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528	7,042
Other purposes (3)	4,260	6,019	20,451	35,173	5,131
Unrestricted	126,632	146,018	149,662	152,352	197,672
Total governmental activities net assets	<u>\$ 482,877</u>	<u>\$ 565,481</u>	<u>\$ 634,171</u>	<u>\$ 738,092</u>	<u>\$ 1,013,889</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 143,175	\$ 165,943	\$ 185,971	\$ 213,101	\$ 249,462
Restricted for:					
Capital assets	96,807	96,666	102,585	100,597	107,841
Unrestricted	16,261	22,509	15,072	11,670	(22,240) (4)
Total business-type activities net assets	<u>\$ 256,243</u>	<u>\$ 285,118</u>	<u>\$ 303,628</u>	<u>\$ 325,368</u>	<u>\$ 335,063</u>
<b>Total government</b>					
Invested in capital assets, net of related debt	\$ 341,983	\$ 414,162	\$ 468,699	\$ 555,333	\$ 853,579
Restricted for:					
Capital assets	227,352	236,426	253,980	276,260	280,315
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144	27,453
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528	7,042
Other purposes	4,260	6,019	20,451	35,173	5,131
Unrestricted	142,893	168,527	164,734	164,022	175,432
Total net assets	<u>\$ 739,120</u>	<u>\$ 850,599</u>	<u>\$ 937,799</u>	<u>\$ 1,063,460</u>	<u>\$ 1,348,952</u>



Source: City of Carlsbad Comprehensive Annual Financial Reports.

(1) The City first began calculating net asset balances in Fiscal Year 2001-02.

(2) The large increase in 2005-06 reflects the addition of infrastructure assets as per GASB34 requirements.

(3) Net Assets Restricted for Other Purposes increased significantly in Fiscal Years 2003-04 and 2004-05 to set aside funds for future golf course construction (\$15 million in 2003-04 and an additional \$15.3 million in 2004-05).

(4) The large decrease in 2005-06 reflects an additional \$30.3 million advance received from the General Fund.

# CITY OF CARLSBAD

## Changes in Net Assets Last Five Fiscal Years (dollars in thousands)

	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities					
General government	\$ 7,600	\$ 8,518	\$ 8,604	\$ 11,353	\$ 15,382
Public safety	25,660	27,748	30,894	34,366	35,822
Community development	10,539	12,004	13,814	14,363	14,332
Community services	13,270	14,538	15,035	16,033	16,790
Public works	15,015	16,826	19,534	22,064	35,937
Interest and fiscal charges on long-term debt	1,673	1,048	996	1,014	1,036
Total governmental activities	<u>73,757</u>	<u>80,682</u>	<u>88,877</u>	<u>99,193</u>	<u>119,299</u>
Business-type activities					
Carlsbad Municipal Water District	19,311	19,261	20,950	21,422	24,124
Golf course	98	93	54	25	2,471
Sewer	6,169	6,104	6,891	7,235	8,265
Solid waste	213	218	1,300	1,488	1,699
Total business-type activities	<u>25,791</u>	<u>25,676</u>	<u>29,195</u>	<u>30,170</u>	<u>36,559</u>
Total government	<u>\$ 99,548</u>	<u>\$ 106,358</u>	<u>\$ 118,072</u>	<u>\$ 129,363</u>	<u>\$ 155,858</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services:					
General government	\$ 582	\$ 750	\$ 571	\$ 926	\$ 945
Public safety	2,957	3,269	3,699	3,232	3,611
Community development	3,810	4,261	4,203	5,934	4,677
Community services	1,828	2,086	2,102	2,292	2,437
Public works	5,440	6,668	4,533	4,633	6,451
Operating grants and contributions	7,985	10,139	14,570	12,817	12,116
Capital grants and contributions	26,852	45,180	42,215	74,414	39,286
Total governmental activities	<u>49,454</u>	<u>72,353</u>	<u>71,893</u>	<u>104,248</u>	<u>69,523</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	19,102	18,276	18,862	18,788	19,462
Sewer	5,919	6,286	6,203	6,378	6,801
Solid waste	505	868	1,673	2,348	1,893
Operating grants and contributions	577	1,267	1,504	508	718
Capital grants and contributions	16,155	19,539	17,377	17,122	11,213
Total business-type activities	<u>42,258</u>	<u>46,236</u>	<u>45,619</u>	<u>45,144</u>	<u>40,087</u>
Total government	<u>\$ 91,712</u>	<u>\$ 118,589</u>	<u>\$ 117,512</u>	<u>\$ 149,392</u>	<u>\$ 109,610</u>
<b>Net (Expense)/Revenue:</b>					
Governmental activities	\$ (24,303)	\$ (8,329)	\$ (16,984)	\$ 5,055	\$ (49,776)
Business-type activities	16,467	20,560	16,424	14,974	3,528
Total government net expense	<u>\$ (7,836)</u>	<u>\$ 12,231</u>	<u>\$ (560)</u>	<u>\$ 20,029</u>	<u>\$ (46,248)</u>

**CITY OF CARLSBAD**

**Changes in Net Assets**

**Last Five Fiscal Years**

(dollars in thousands)

	2002	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities					
Taxes:					
Property taxes	\$ 28,495	\$ 31,411	\$ 33,949	\$ 41,479	\$ 43,936
Sales and use taxes	21,004	25,767	24,578	24,759	25,429
Transient occupancy taxes	8,533	8,387	8,813	10,072	11,513
Franchise taxes	7,495	3,730	5,027	5,683	5,429
Business license taxes	2,440	2,305	2,872	2,890	3,040
Real property transfer taxes	1,193	1,127	1,587	1,646	1,906
Vehicle license fees	4,675	5,067	4,125	2,136	587
Income from property and investments	18,095	13,347	3,124	9,910	11,682
Other general revenues	762	390	637	441	650
Transfers	17	(600)	963	(150)	(315)
Total governmental activities	92,709	90,931	85,675	98,866	103,857
Business type activities					
Property taxes	1,516	1,672	1,842	2,025	2,257
Income from property and investments	7,010	5,836	1,193	4,162	3,538
Other general revenues	804	208	14	579	56
Transfers	(17)	600	(963)	-	315
Total business-type activities	9,313	8,316	2,086	6,766	6,166
Total government	\$ 102,022	\$ 99,247	\$ 87,761	\$ 105,632	\$ 110,023
<b>Change in Net Assets</b>					
Governmental activities	\$ 68,406	\$ 82,602	\$ 68,691	\$ 103,921	\$ 54,081
Business-type activities	25,780	28,876	18,510	21,740	9,694
Total government	\$ 94,186	\$ 111,478	\$ 87,201	\$ 125,661	\$ 63,775

Source: City of Carlsbad Comprehensive Annual Financial Report.

Note: Data in this table is available from the date the City implemented GASB 34 (Fiscal Year 2001-02).

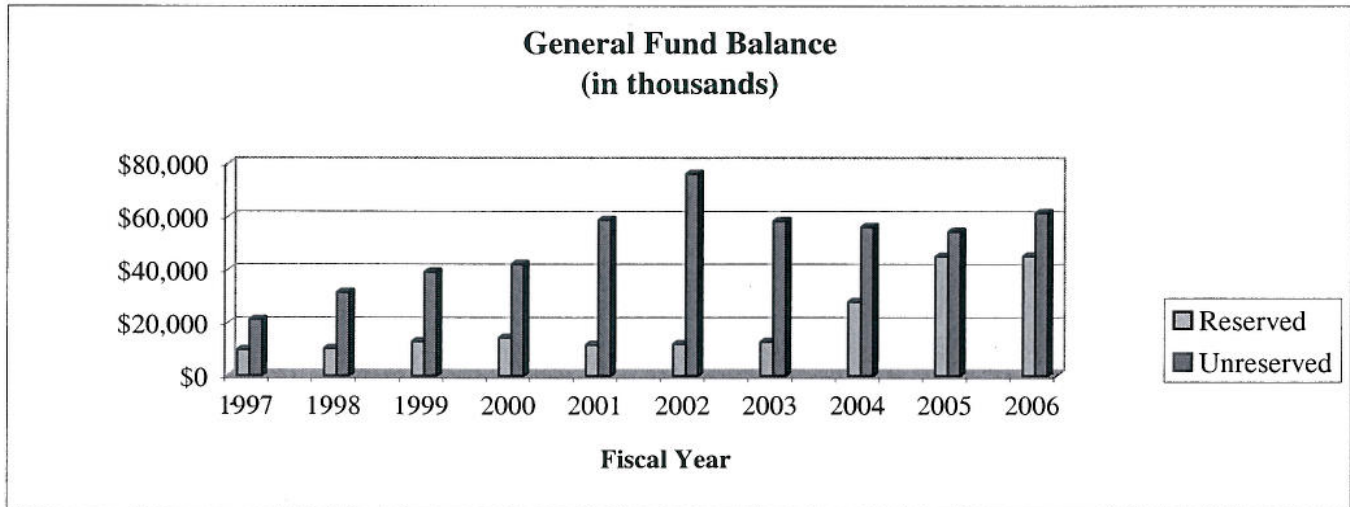




# CITY OF CARLSBAD

## Fund Balances of Governmental Funds Last Ten Fiscal Years (dollars in thousands)

	1997	1998	1999	2000	2001
<b>General Fund</b>					
Reserved	\$ 9,825	\$ 10,346	\$ 12,893	\$ 14,324	\$ 11,746
Unreserved	21,171	31,498	39,221	42,179	58,857
<b>Total General Fund</b>	<u>\$ 30,996</u>	<u>\$ 41,844</u>	<u>\$ 52,114</u>	<u>\$ 56,503</u>	<u>\$ 70,603</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 12,107	\$ 27,255	\$ 30,938	\$ 27,658	\$ 36,030
Unreserved, reported in:					
Special revenue funds	11,517	15,016	18,639	20,458	19,709
Capital project funds	72,097	87,336	102,038	108,866	131,382
Debt service funds (1)	2,498	433	291	(11,092)	(11,586)
<b>Total all other governmental funds</b>	<u>\$ 98,219</u>	<u>\$ 130,040</u>	<u>\$ 151,906</u>	<u>\$ 145,890</u>	<u>\$ 175,535</u>



Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) Effective July 1, 1999, the City changed the manner in which it accounted for advances from the City to the Redevelopment Agency, and began recording such advances as a liability on the balance sheet of the funds obligated for the repayment.
- (2) A \$35 million transfer was made from the General Fund to the General Capital Construction Fund to assist in the construction of four large projects.

<u>2002</u>	<u>2003 (2)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 12,006	\$ 12,794	\$ 27,917	\$ 44,996	\$ 45,131
76,149	58,343	56,141	54,400	61,494
<u>\$ 88,155</u>	<u>\$ 71,137</u>	<u>\$ 84,058</u>	<u>\$ 99,396</u>	<u>\$ 106,625</u>
\$ 37,776	\$ 44,265	\$ 54,414	\$ 49,583	\$ 38,000
20,542	21,011	29,841	30,031	30,024
128,869	171,227	171,194	206,711	221,393
(10,371)	(10,449)	(9,789)	(11,317)	(11,681)
<u>\$ 176,816</u>	<u>\$ 226,054</u>	<u>\$ 245,660</u>	<u>\$ 275,008</u>	<u>\$ 277,736</u>

**CITY OF CARLSBAD**

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(dollars in thousands)**

	1997 (1)	1998	1999	2000	2001
<b>Revenues:</b>					
Taxes	\$ 41,512	\$ 51,381	\$ 57,508	\$ 62,268	\$ 70,147
Intergovernmental	14,650	20,296	17,802	14,094	14,286
Licenses and permits	4,235	4,883	3,827	3,321	3,409
Charges for services	10,708	7,615	6,805	5,749	6,427
Fines and forfeitures	318	331	936	840	889
Income from property and investments	6,075	8,632	8,925	10,496	20,385
Interdepartmental charges	2,042	1,919	1,934	2,007	2,148
Contributions from property owners	15,451	16,610	45,763	14,733	15,982
Donations	220	220	350	561	312
Miscellaneous	3,434	1,514	1,544	1,183	2,260
Total revenues	<u>98,645</u>	<u>113,401</u>	<u>145,394</u>	<u>115,252</u>	<u>136,245</u>
<b>Expenditures:</b>					
Current:					
General government	49,010	6,748	6,784	7,383	9,022
Public safety	-	18,631	21,928	21,799	23,627
Community development	-	7,895	8,636	11,538	9,352
Community services	-	6,673	7,541	9,088	11,571
Public works	-	11,437	12,690	13,823	14,402
Capital outlay	13,556	23,854	52,107	39,543	22,067
Debt service:					
Principal	992	1,663	825	821	1,029
Interest and fiscal charges	2,385	3,144	1,645	1,660	1,814
Total expenditures	<u>65,943</u>	<u>80,045</u>	<u>112,156</u>	<u>105,655</u>	<u>92,884</u>
Excess (deficiency) of revenues over (under) expenditures	32,702	33,356	33,238	9,597	43,361
<b>Other financing sources (uses):</b>					
Transfers in	3,530	2,069	2,603	15,533	9,544
Transfers out	(3,525)	(2,097)	(2,603)	(15,533)	(9,651)
Proceeds of advances	539	579	589	-	-
Proceeds of debt	-	9,252	-	332	91
Total other financing sources (uses)	<u>544</u>	<u>9,803</u>	<u>589</u>	<u>332</u>	<u>(16)</u>
Net change in fund balances	<u>\$ 33,246</u>	<u>\$ 43,159</u>	<u>\$ 33,827</u>	<u>\$ 9,929</u>	<u>\$ 43,345</u>
Debt service as percentage of noncapital expenditures (2,3)					

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) In Fiscal Year 1997-98, the City went through a major reorganization. At this time, five major service areas were created, as reflected in Fiscal Year 1997-98 and thereafter.
- (2) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Assets) and expenditures for capitalized assets included within the functional expenditure categories.
- (3) Information not available for years prior to GASB 34 implementation.

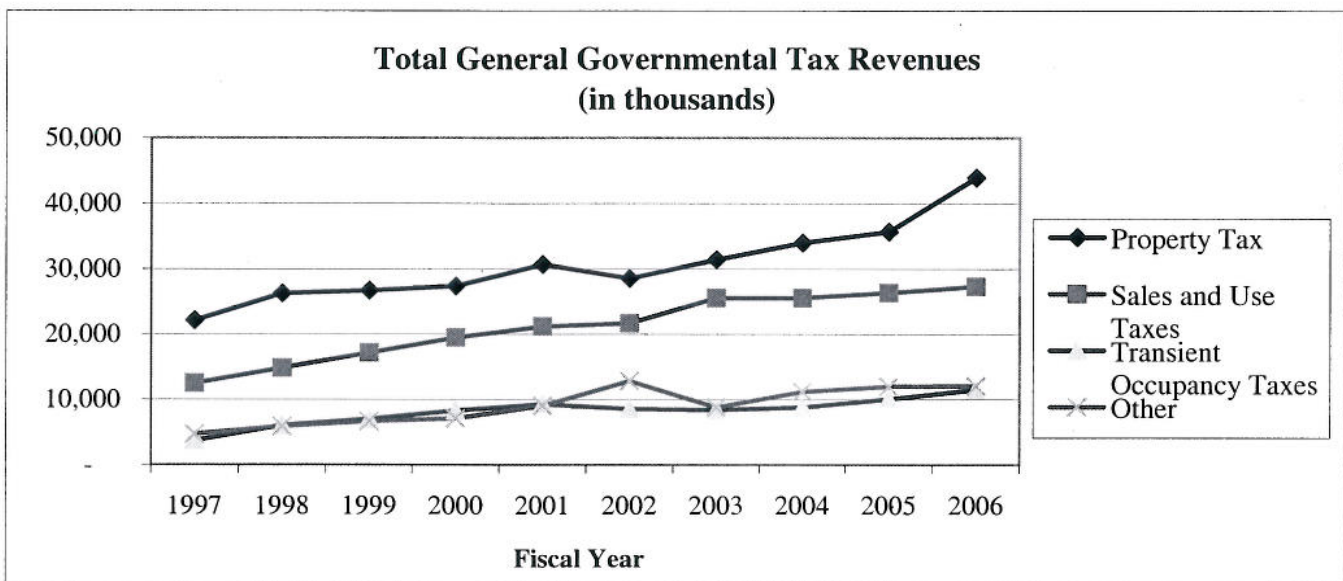


2002	2003	2004	2005	2006
\$ 71,528	\$ 74,156	\$ 79,533	\$ 84,065	\$ 94,862
14,267	19,775	22,506	24,245	13,027
1,998	2,043	2,329	3,393	2,504
7,751	10,059	9,899	10,433	11,038
947	923	1,092	1,084	1,178
18,700	14,802	3,902	10,741	10,387
2,284	2,815	2,735	2,700	2,639
11,251	14,547	23,682	49,446	25,365
210	149	141	164	130
2,386	2,349	1,543	1,107	2,077
131,322	141,618	147,362	187,378	163,207
8,415	8,805	9,745	12,113	16,311
25,598	26,798	30,799	33,819	36,365
10,316	11,799	13,644	14,319	14,300
12,449	13,374	13,915	14,744	15,637
15,404	18,177	18,045	18,737	20,327
37,503	26,410	26,406	46,420	47,032
1,133	1,672	1,214	1,040	1,037
1,694	1,628	1,466	1,501	1,599
112,512	108,663	115,234	142,693	152,608
18,810	32,955	32,128	44,685	10,599
11,833	47,846	8,729	10,228	11,685
(11,816)	(48,581)	(8,329)	(10,228)	(12,334)
-	-	-	-	-
6	-	-	-	-
23	(735)	400	-	(649)
\$ 18,833	\$ 32,220	\$ 32,528	\$ 44,685	\$ 9,950
3.74%	4.01%	3.01%	2.65%	2.48%

# CITY OF CARLSBAD

## General Governmental Tax Revenues by Source Last Ten Fiscal Years (in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
1997	\$ 22,126	\$ 12,495	\$ 3,675	\$ 1,513	\$ 1,510	\$ 466	\$ 1,237	\$ 43,022
1998	26,249	14,817	6,046 (6)	1,714	1,604	836	1,719	52,985
1999	26,688	17,129	7,010	1,954	1,738	1,081	1,908	57,508
2000	27,335	19,493	8,333	2,592	1,864	993	1,658	62,268
2001	30,656	21,197	9,269	3,916	2,300	1,095	1,714	70,147
2002	28,512	21,661	8,533 (4)	7,495 (5)	2,440	1,193	1,694	71,528
2003	31,412	25,543 (3)	8,387	3,730	2,305	1,127	1,652	74,156
2004	33,949	25,571	8,814	5,027	2,872 (2)	1,587	1,713	79,533
2005	35,650 (1)	26,331	10,072	5,683	2,890	1,646	1,793	84,065
2006	43,936	27,294	11,513	5,429	3,040	1,906	1,744	94,862
Change 1997-2006	99%	118%	213%	259%	101%	309%	41%	120%



Source: City of Carlsbad.

\* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD#1 special taxes.

(1) Vehicle License Fee revenue began decreasing in 2004-05 because the City began receiving property taxes in lieu of a portion of the VLF.

(2) This reflects the results from hiring a company to assist in the identification of unlicensed businesses, and the recovery of non-reported and under-reported business license taxes.

(3) The City modified the methodology used in accruing sales tax revenue for the year, in accordance with Generally Accepted Accounting Principles (GAAP).

(4) The drop in transient occupancy tax was the result of the impacts from September 11, 2001 on tourism.

(5) This was the result of higher natural gas prices paid by consumers in calendar year 2000.

(6) Reflects the opening of the Four Seasons Resort at Aviara.

**CITY OF CARLSBAD**

**Water and Sewer Rates  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Water</b>		<b>Sewer</b>
	<b>Monthly Delivery Charge</b>	<b>Base Price Per Unit (1)</b>	<b>Monthly Base Rate</b>
1997	\$9.25	\$1.70	\$15.00
1998	9.25	1.70	15.00
1999	9.25	1.70	15.00
2000	9.25	1.60	15.00
2001	9.25	1.60	13.00
2002	9.25	1.60	13.00
2003	9.25	1.60	13.00
2004	9.25	1.60	13.00
2005	9.25	1.60	13.00
2006	9.25	1.60	13.50

Source: City of Carlsbad.

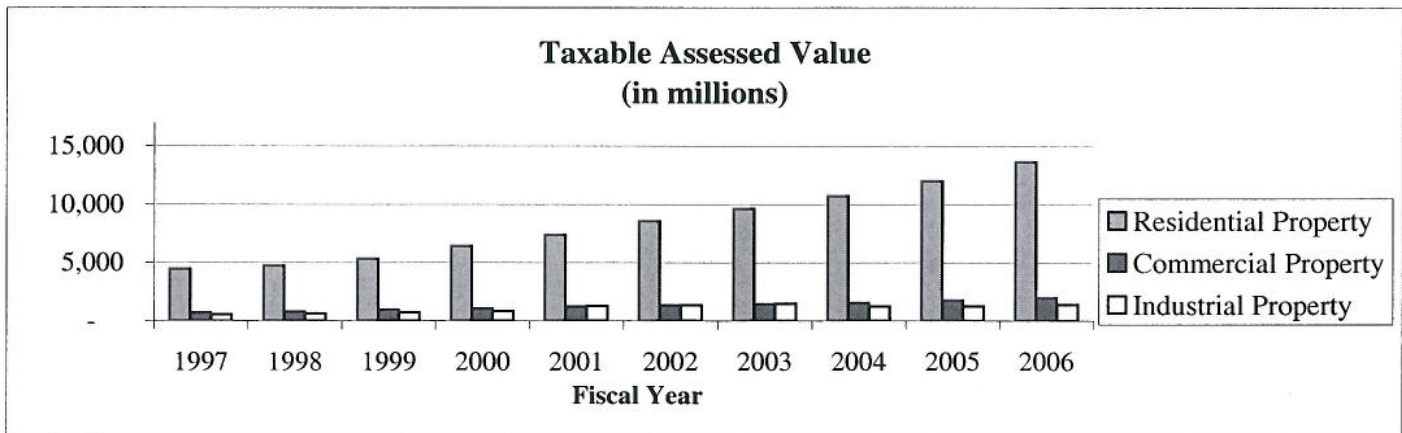
Note: Rates shown are for on 5/8" meter, which is the standard household meter size.

(1) One unit of water equals 748 gallons.

# CITY OF CARLSBAD

## Assessed Value of Taxable Property (dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Total Property Tax Revenue	Total Direct Tax Rate (2)
1997	\$ 4,458	\$ 688	\$ 552	\$ 307	\$ 6,005	\$ 11.238	0.187%
1998	4,723	766	631	304	6,424	12.410	0.193%
1999	5,315	954	713	410	7,392	14.196	0.192%
2000	6,418	1,036	854	583	8,891	16.762	0.189%
2001	7,367	1,192	1,282	649	10,490	19.658	0.187%
2002	8,543	1,310	1,341	657	11,851	22.286	0.188%
2003	9,612	1,413	1,469	516	13,010	24.974	0.192%
2004	10,700	1,516	1,231	856	14,303	26.960	0.188%
2005	11,984	1,749	1,266	742	15,741	30.220	0.192%
2006	13,619	1,962	1,398	729	17,708	33.751	0.191%



Source: County of San Diego, California Auditor and Controller.

Notes: Information about estimated actual value of property is not available; the assessed value is based on the most recent sales value and includes secured property only.

- (1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.
- (2) The total direct tax rate was calculated by dividing the total property tax revenue by the total taxable value.
- (3) In Fiscal Year 2003-04, there was an increase in the assessed valuation of the power plant subsequent to its purchase by Cabrillo Power.



CITY OF CARLSBAD

Principal Property Taxpayers  
Current Year and Nine Years Ago

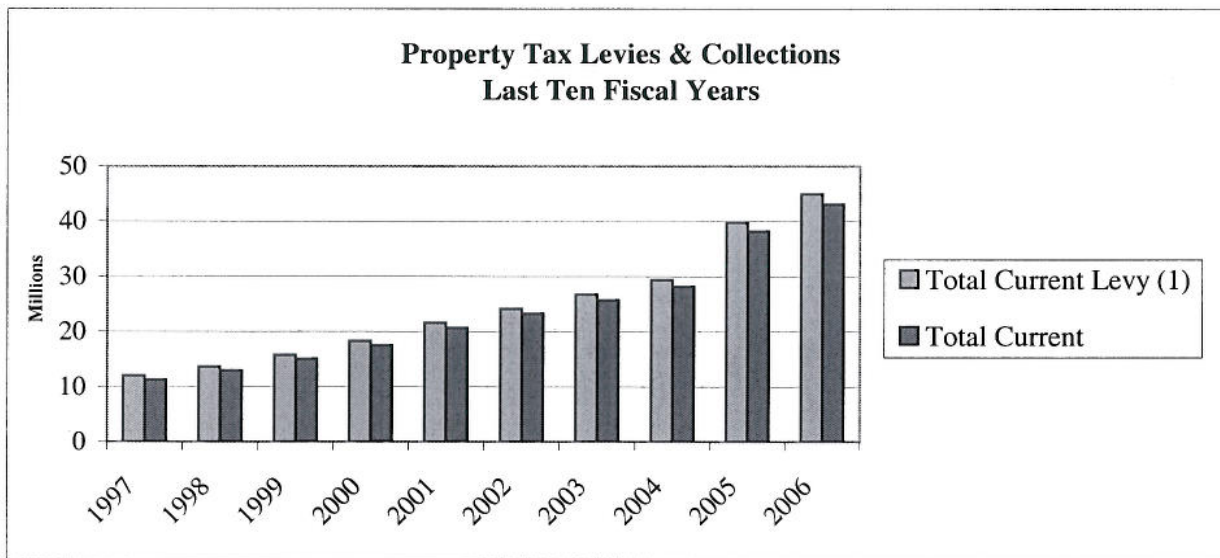
Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value (1)
Greystone Homes Inc	\$ 144,779,270	1	0.82%	0		0
Aviara Resort Associates	125,256,000	2	0.71%	0		0
KSL La Costa Resort	124,657,356	3	0.70%	109,176,067	2	1.82%
Cpg Carlsbad Holdings LLC	105,346,743	4	0.59%	0		0
Continuing Life	93,828,207	5	0.53%	-		-
Prentiss Properties	76,456,459	6	0.43%	-		-
Borders, Inc.	75,213,933	7	0.42%	-		-
Legoland California, Inc.	71,000,000	8	0.40%	-		-
H.G. Fenton Company	68,998,021	9	0.39%	-		-
Pulte Home Corp	68,322,346	10	0.39%	-		-
Callaway Golf Company	-		-	63,171,578	3	1.05%
San Diego Gas & Electric	-		-	298,803,993	1	4.98%
Upper Deck Company	-		-	59,670,485	4	0.99%
Real Estate Collateral Mgmt. Co.	-		-	48,680,000	5	0.81%
Puritan-Bennett Corporation	-		-	33,023,600	6	0.55%
Plaza Camino Real Shopping Ctr.	-		-	31,405,087	7	0.52%
Aviara Land Associates LTD	-		-	26,022,165	8	0.43%
Hughes Aircraft Company	-		-	23,412,450	9	0.39%
Vons Companies, Inc.	-		-	23,090,328	10	0.38%
Total	<u>\$ 953,858,335</u>		<u>5.39%</u>	<u>\$ 716,455,753</u>		<u>11.5%</u>
Net assessed valuation	<u>\$ 17,707,928,440</u>			<u>\$ 6,005,069,504</u>		

Source: County of San Diego Office of the Auditor and Controller.

# CITY OF CARLSBAD

## Property Tax Levies and Collections Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Current Levy (1)</u>	<u>Total Current Collections (2)</u>	<u>% of Levy Collected</u>
1997	12,010,693	11,265,012	93.8%
1998	13,601,772	12,916,890	95.0%
1999	15,717,747	14,995,541	95.4%
2000	18,306,661	17,472,632	95.4%
2001	21,551,102	20,662,671	95.9%
2002	24,108,706	23,237,535	96.4%
2003	26,709,097	25,674,795	96.1%
2004	29,382,034	28,154,961	95.8%
2005	39,785,892 (3)	38,162,630	95.9%
2006	44,915,159	43,053,536	95.9%



Source: County of San Diego Office of the Auditor and Controller.

(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

(2) Total Current Collections includes prior year delinquencies and adjustments; delinquency collections by year are not available.

(3) In Fiscal Year 2004-05, the City received \$4.9 million in property tax payments in lieu of vehicle license fees.



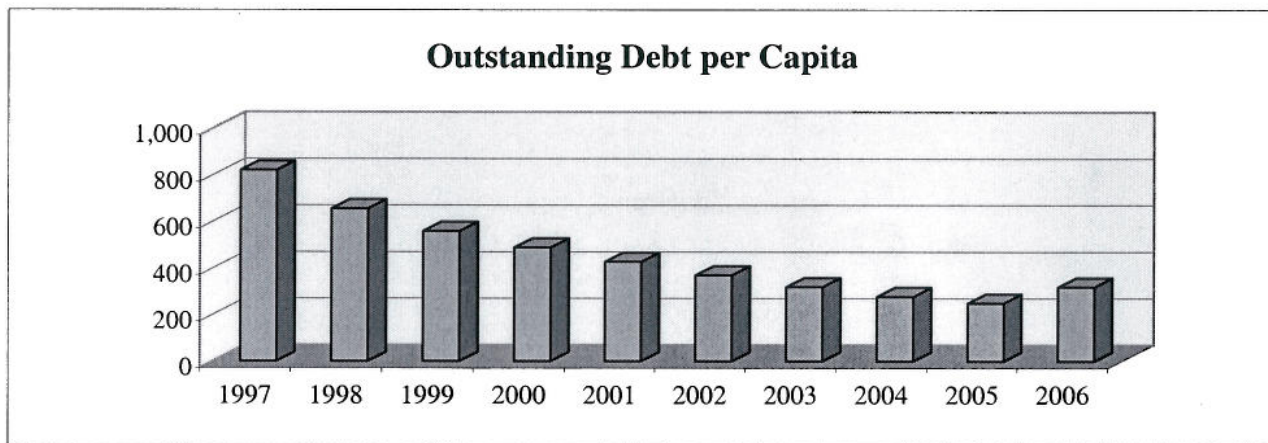
# CITY OF CARLSBAD

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands except per capita)

Fiscal Year	Governmental Activities			
	Bonds / Special Debt	Certificates of Participation	Capital Leases	Loans Payable
1997	\$ 21,185	\$ 6,615	\$ 2,512	\$ 990
1998	14,740	6,595	2,399	875
1999	14,460	6,075	633	750
2000	14,170	5,570	904	620
2001	13,865	5,055	888	480
2002	13,540	4,515	791	330
2003	13,200	3,950	179	170
2004	12,840	3,360	79	-
2005	12,460	2,740	7	-
2006	12,065	2,105	1	-



Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) In Fiscal Year 2005-06, the State Water Resources Control Board issued a low interest loan for the Carlsbad Water Recycling Facility for \$9.5 million.

(2) Percentage of personal income is calculated using personal income for the prior year.

Source: County of San Diego, California Auditor and Controller. Information about estimated actual value of property is not presently available and therefore not presented on these statements.



**Business-Type Activities**

<b>Accrued Assessments</b>	<b>Certificates of Participation</b>	<b>Installment Purchase Agreements</b>	<b>Loan Payable (1)</b>	<b>Total</b>	<b>Percentage of Personal Income (2)</b>	<b>Per Capita</b>
\$ 2,375	\$ 8,160	\$ 11,080	\$ 2,097	\$ 55,014	-	\$ 819.88
1,985	6,360	10,675	1,999	45,628	-	655.57
1,252	5,405	10,250	1,897	40,722	-	558.60
951	4,410	9,810	1,792	38,227	-	488.54
789	3,370	9,350	1,705	35,502	0.69%	426.49
621	2,295	8,870	1,574	32,536	0.60%	369.22
443	1,175	8,375	1,460	28,952	0.53%	319.41
257	-	7,855	1,343	25,734	0.47%	277.62
-	-	7,305	1,223	23,735	0.42%	249.46
-	-	6,730	10,592	31,493	0.53%	319.38



# CITY OF CARLSBAD

## Schedule of Direct and Overlapping Bonded Debt Current Fiscal Year

2005-06 Assessed Valuation:	\$ 17,965,430,228
Redevelopment Incremental Valuation:	257,501,788
Adjusted Assessed Valuation:	<u>\$ 17,707,928,440</u>

	Total Debt 6/30/2006	Percent Applicable (1)	City's Share of Debt 6/30/06
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 389,565,000	1.223%	\$ 4,764,380
Carlsbad Unified School District	19,985,811	97.627%	19,511,548
Carlsbad Unified School District CFD No. 1	8,445,000	100.000%	8,445,000
Oceanside Unified School District	96,920,000	0.006%	5,815
Vista Unified School District	108,749,882	0.115%	125,062
Encinitas Union School District	22,506,805	30.607%	6,888,658
San Marcos Unified School District School Facility Improvement District	18,328,019	37.048%	6,790,164
San Marcos Unified School District CFD No. 4	14,115,000	23.403%	3,303,333
San Marcos Unified School District CFD No. 5	25,795,000	100.000%	25,795,000
San Dieguito Union HS District CFD No. 94-1	278,485	100.000%	278,485
San Dieguito Union HS District CFD No. 94-2	20,366,850	98.080%	19,975,806
San Dieguito Union HS District CFD No. 95-2	839,613	12.035%	101,047
San Dieguito Union High School District combined CFD	48,440,000	30.399%	14,725,276
Palomar Pomerado Hospital District	80,000,000	2.204%	1,763,200
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	19,335,000	22.168%	4,286,183
City of Carlsbad CFD No. 3, I.A. No. 1	11,490,000	100.000%	11,490,000
City of Carlsbad 1915 Act Bonds	73,370,000	100.000%	73,370,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 958,530,465</b>		<b>\$ 201,618,957</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Diego County General Fund Obligations	\$ 389,852,147	6.293%	\$ 24,533,396
San Diego County Pension Obligations	1,231,282,916	6.293%	77,484,634
San Diego City Superintendent of Schools General Fund Obligations	12,495,000	6.293%	786,310
Mira Costa Community College Dist Certificates of Participation	4,760,000	26.708%	1,271,301
Palomar Community College District General Fund Obligations	8,425,000	2.816%	237,248
Carlsbad Unified School District General Fund Obligations	56,330,000	97.627%	54,993,289
San Marcos Unified School District General Fund Obligations	5,910,000	31.771%	1,877,666
Encinitas Union School District Certificates of Participation	1,410,000	30.607%	431,559
Other School District Certificates of Participation	10,140,000	Various	9,802
<b>City of Carlsbad General Fund Obligations</b>	<b>2,105,000</b>	<b>100.000%</b>	<b>2,105,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GEN FUND DEBT</b>	<b>\$ 1,722,710,063</b>		<b>\$ 163,730,205</b>
<b>COMBINED TOTAL DEBT</b>	<b>\$ 2,681,240,528</b>		<b>\$ 365,349,162 (2)</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city obligations.

### Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.12%

### Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$2,105,000) 0.01%**  
Combined Total Debt 2.06%

Source: California Municipal Statistics, Inc.

# CITY OF CARLSBAD

## Direct and Overlapping Debt

### Last Nine Fiscal Years

(rate per \$1,000 of assessed value)

	1998	1999	2000	2001
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>				
San Diego County Water Authority	\$ 0.068	\$ 0.054	\$ 0.040	\$ 0.028
Metropolitan Water District	0.696	0.691	0.611	0.545
Carlsbad Unified School District	4.009	3.502	2.909	2.472
Carlsbad Unified School District Lease Tax Obligations	1.076	0.729	0.186	0.187
Carlsbad Unified School District CFD No. 1	1.778	1.638	1.315	1.073
Oceanside Unified School District	-	-	-	-
Vista Unified School District	-	-	-	-
Encinitas Union School District	1.032	0.941	0.874	0.756
Encinitas Union School District Lease Tax Obligations	0.226	0.174	0.131	0.138
San Marcos Unified School District School Fac. Improv. Dist.	1.023	0.785	0.682	0.615
Tri-City Hospital District	0.012	-	-	-
Palomar Pomerado Hospital District	-	-	-	-
Leucadia County Water District and I.D. No. 1	0.004	-	-	-
Vallecitos Water District and I.D. No. 6	-	-	-	-
San Marcos Unified School District CFD No. 4	-	-	-	-
San Marcos Unified School District CFD No. 5	-	1.752	1.457	1.216
San Dieguito Union HS District CFD No. 1	-	2.581	1.319	-
San Dieguito Union HS District CFD No. 94-1	-	-	-	0.029
San Dieguito Union HS District CFD No. 94-2	-	-	-	2.051
San Dieguito Union HS District CFD No. 95-2	-	-	-	0.032
San Dieguito Union HS District combined CFD	-	-	-	-
Olivenhain Municipal Water District, I.D. No. 1	0.017	0.011	0.005	-
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.683	0.611	0.553	0.465
City of Carlsbad CFD No. 3, I.A. No. 1	-	-	-	-
City of Carlsbad 1915 Act Bonds	4.702	6.467	4.908	3.959
<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>				
San Diego County General Fund Obligations	\$ 3.958	\$ 3.584	\$ 3.524	\$ 3.016
San Diego County Pension Obligations	2.935	2.569	2.149	1.801
San Diego City Superintendent of Schools General Fund Obligations	0.017	0.016	0.014	0.012
Mira Costa Community College District Certificates of Participation	0.061	0.246	0.207	0.176
Palomar Community College District General Fund Obligations	-	-	-	-
Carlsbad Unified School District General Fund Obligations	1.733	1.514	1.460	5.493
San Marcos Unified School District General Fund Obligations	-	-	-	-
San Marcos Unified School District Certificates of Participation	0.103	0.075	0.050	0.031
Encinitas Union School District Certificates of Participation	0.268	0.212	0.166	0.063
Other School District Certificates of Participation	0.026	0.028	0.021	0.018
<b>City of Carlsbad General Fund Obligations</b>	<b>1.027</b>	<b>0.822</b>	<b>0.626</b>	<b>0.482</b>

Note: Data is unavailable for 1997.

Source: California Municipal Statistics, Inc.

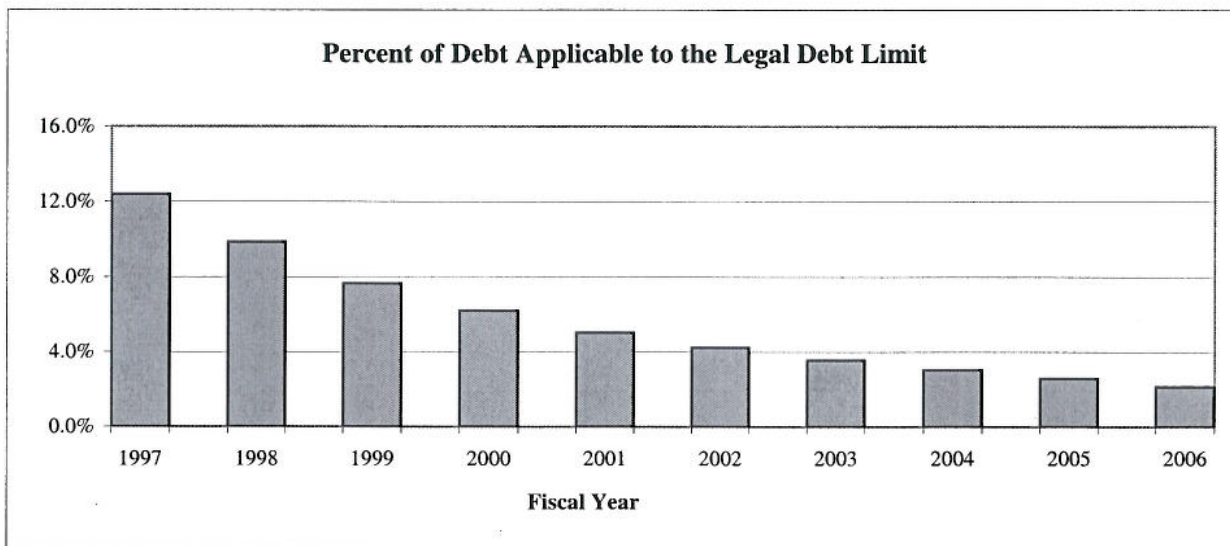


2002	2003	2004	2005	2006
\$ 0.017	\$ 0.008	\$ -	\$ -	\$ -
0.481	0.398	0.368	0.319	0.269
2.099	1.832	1.594	1.342	1.102
0.122	0.070	0.033	-	-
0.909	0.789	0.678	0.578	0.477
-	-	-	-	-
0.005	0.004	0.005	0.005	0.007
0.678	0.621	0.530	0.471	0.389
0.050	0.020	-	-	-
0.629	0.544	0.524	0.448	0.383
-	-	-	-	-
-	-	-	-	0.100
-	-	-	-	-
-	-	-	-	-
-	-	-	-	0.187
1.059	1.909	1.886	1.677	1.457
-	-	-	-	-
0.025	0.023	0.020	0.018	0.016
1.816	1.628	1.456	1.298	1.128
0.028	0.025	0.023	0.020	0.006
-	-	0.973	0.884	0.832
-	-	-	-	-
0.400	0.357	0.314	0.279	0.242
-	-	-	-	0.649
3.287	2.809	3.145	4.848	4.143
\$ 2.701	\$ 2.281	\$ 1.881	\$ 1.855	\$ 1.385
1.470	3.951	5.528	5.008	4.376
0.011	0.010	0.009	0.051	0.044
0.145	0.121	0.098	0.085	0.072
-	-	-	-	0.013
4.843	4.392	3.961	3.557	3.106
-	-	0.143	0.122	0.106
0.015	-	-	-	-
0.078	0.045	0.037	0.032	0.024
0.022	0.021	0.018	0.015	0.001
<b>0.381</b>	<b>0.304</b>	<b>0.235</b>	<b>0.174</b>	<b>0.119</b>

# CITY OF CARLSBAD

## Legal Debt Margin Information Last Ten Fiscal Years (dollars in thousands)

	1997	1998	1999	2000	2001
Net assessed valuation	\$ 6,005,070	\$ 6,424,231	\$ 7,391,939	\$ 8,890,683	\$ 10,490,116
Debt limit (25% x 15%)	225,190	240,909	277,198	333,401	393,380
Amount of debt applicable to limit:					
Bonded debt	21,185	14,740	14,460	14,170	13,865
Certificates of participation	6,615	6,595	6,075	5,570	5,055
Obligations under capital leases	113	2,399	633	904	888
Total net debt applicable to limit	27,913	23,734	21,168	20,644	19,808
Legal debt margin	<u>\$ 197,277</u>	<u>\$ 217,175</u>	<u>\$ 256,030</u>	<u>\$ 312,757</u>	<u>\$ 373,572</u>
Total net debt applicable to the limit as a percentage of debt limit	12.4%	9.9%	7.6%	6.2%	5.0%



Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent (as adjusted) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 11,850,679	\$ 13,009,712	\$ 14,303,050	\$ 15,741,122	\$ 17,707,928
444,400	487,864	536,364	590,292	664,047
13,540	13,200	12,840	12,460	12,065
4,515	3,950	3,360	2,740	2,105
791	179	79	7	1
18,846	17,329	16,279	15,207	14,171
<u>\$ 425,554</u>	<u>\$ 470,535</u>	<u>\$ 520,085</u>	<u>\$ 575,085</u>	<u>\$ 649,876</u>
4.2%	3.6%	3.0%	2.6%	2.1%

**CITY OF CARLSBAD**

**Pledged-Revenue Coverage  
Last Nine Fiscal Years**

Fiscal Year	Sewer Revenue Bonds					
	Gross Revenues (1)	Less: Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998 (3)	\$ 7,531,548	\$ 3,037,634	\$ 4,493,914	\$ 405,000	\$ 513,179	4.89
1999	7,897,329	3,762,721	4,134,608	425,000	517,672	4.39
2000	8,421,638	3,792,799	4,628,839	440,000	500,371	4.92
2001	11,089,995	4,352,912	6,737,083	460,000	482,027	7.15
2002	9,438,807	4,707,348	4,731,459	480,000	462,162	5.02
2003	9,342,266	4,584,265	4,758,001	495,000	441,199	5.08
2004	6,854,001	5,284,357	1,569,644	520,000	416,256	1.68
2005	8,557,183	5,156,663	3,400,520	550,000	387,581	3.63
2006	8,306,783	6,009,282	2,297,501	575,000	361,394	2.45

Source: City of Carlsbad

- (1) Include operating and non-operating revenues.
- (2) Include operating and non-operating expenses, excluding depreciation.
- (3) Fiscal Year 1997-98 is the first year debt service payments were made.
- (4) Include recycled water operating and non-operating revenues and fees.
- (5) Include recycled water operating and non-operating expenses, excluding depreciation.
- (6) No debt service payments will be made on the outstanding loan until Fiscal Year 2006-07.



Recycled Water Loan					
Gross Revenues (4)	Less: Expenses (5)	Net Available Revenue	Debt Service		Coverage
			Principal (6)	Interest (6)	
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
2,404,369	2,347,032	57,337	-	-	-

## CITY OF CARLSBAD

### Demographic and Economic Statistics Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Median Age	Avg. Household Size
1996	65,500	2%	1.6%	n/a	n/a
1997	67,100	3%	2.4%	n/a	n/a
1998	69,600	3%	3.7%	n/a	n/a
1999	72,900	3%	4.7%	n/a	n/a
2000	78,247	3%	7.3%	38.9	2.46
2001	83,242	3%	6.4%	38.9	2.46
2002	88,120	3%	5.9%	39.4	2.48
2003	90,643	3%	2.9%	39.7	2.48
2004	92,695	3%	2.3%	40.0	2.50
2005	95,146	3%	2.2%	40.4	2.47
2006	98,607	3%	4.0%	40.7	2.52

Sources: Population data is from the California Department of Finance and SANDAG.

Household and demographic characteristics estimates are from SANDAG Current Estimates, the U.S. Census Bureau Census 2000 and American Community Survey.

Income estimates are derived from data from the Bureau of Economic Analysis, U.S. Census Bureau Census 2000.

Current population estimates are from SANDAG.

Unemployment rate estimates are from the California Employment Development Department.

(1) Values in inflation-adjusted 2005 dollars.

(2) Per Capita Personal Income and Unemployment Rate are calculated on a calendar year basis, and therefore not yet available for 2006.

(3) Personal Income is the total aggregate income that correlates to the total population.

Educational Attainment				
% High School Graduate	% Bachelor's Degree or Higher	Personal Income (1,3) (millions)	Per Capita Personal Income (1) (2)	Unemployment Rate (2)
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
93%	46%	\$4,863	\$62,100	2.5%
n/a	n/a	\$5,087	\$61,100	2.7%
n/a	n/a	\$5,292	\$60,100	3.4%
n/a	n/a	\$5,331	\$58,800	3.4%
n/a	n/a	\$5,552	\$59,900	3.1%
95%	47%	\$5,708	\$60,200	2.8%
n/a	n/a	n/a	n/a	n/a

# CITY OF CARLSBAD

## Principal Employers Current Year and Nine Years Ago

<u>Employer</u>	<u>2006</u>			<u>1997</u>	
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>
<b>Manufacturing</b>					
Callaway Golf	1,637	1	2.9%	2,250	1
Invitrogen	982	2	1.8%		
ViaSat	726	3	1.3%	275	10
Taylor Made Golf – Adidas Golf Company	650	4	1.2%	400	8
Acushnet Golf	530	5	1.0%		
The Upper Deck	333	6	0.6%	700	4
Zimmer Dental	321	7	0.6%		
Asymtek	278	8	0.5%		
Dot Hill Systems	275	9	0.5%		
Beckman Coulter	263	10	0.5%		
Cobra Golf Inc. II				1,000	2
Nellcor Puritan Bennett Corp.				1,000	3
Smith & Nephew DonJoy, Inc.				602	5
Ashworth, Inc.				400	6
Republic Tool & Mfg. Company				400	7
Palomar Products				300	9
<b>Non-Manufacturing</b>					
La Costa Resort & Spa	1,068	1	1.9%	1,050	2
Carlsbad Unified School District	950	2	1.7%	610	3
LEGOLAND, California	801	3	1.4%		
Four Seasons Resort – Aviara	781	4	1.4%		
City of Carlsbad	660	5	1.2%	526	4
Grand Pacific Resorts	465	6	0.8%		
Gemological Institute of America	421	7	0.8%	450	6
Prescription Solutions	420	8	0.8%		
Eastridge	415	9	0.7%		
Costco	379	10	0.7%		
ISIS Pharmaceuticals				300	8
Plaza Camino Real				3,000	1 (2)
Car Country Carlsbad				500	5 (2)
Farmers Insurance				400	7
San Diego Gas & Electric				300	9
Software of the Month Club				245	10
<b>Subtotal Employees</b>	<u><u>12,355</u></u>		<u><u>22.2%</u></u>	<u><u>14,708</u></u>	
<b>Total Employees</b>	<u><u>55,538</u></u>			<u><u>n/a (1)</u></u>	

Source: Carlsbad Business License Data (2006) and Carlsbad Chamber of Commerce (1997).

(1) Total Employee count is not available for 1997.

(2) These employers are now tracked by individual store versus combined by mall name.





**CITY OF CARLSBAD**

**Authorized Full and 3/4 Time City Government Employees by Major Service Area  
Last Nine Fiscal Years**

<b><u>Major Service Area</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
<b>General Government</b>					
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	8.00	8.00	9.00	6.75	6.00
Communications	-	-	-	-	1.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Attorney	5.00	5.00	5.00	6.00	6.00
Administration	-	-	-	2.00	2.00
Records Management	3.60	3.60	4.00	8.00	8.00
Information Technology	5.40	6.40	13.00	14.00	15.00
Finance	19.00	19.00	19.00	26.00	27.00
Risk Management	1.00	1.00	2.00	2.00	2.00
Human Resources and Worker's Comp	8.00	8.00	8.00	9.00	9.00
<b>Public Safety</b>					
Police	115.00	122.00	128.00	134.00	138.00
Fire	79.00	79.00	79.00	79.75	79.75
<b>Community Development</b>					
Community Development Administration	4.00	4.75	4.75	4.75	3.75
Building Inspection	11.00	13.00	13.00	13.00	13.00
Economic Development	1.00	1.00	1.00	1.00	1.00
Geographic Information	1.00	1.00	2.00	2.00	2.00
Planning	24.00	24.00	24.00	24.00	24.00
Housing and Redevelopment	10.00	10.00	10.00	10.00	10.00
<b>Community Services</b>					
Library	31.50	32.50	32.25	40.75	41.75
Cultural Arts	3.00	3.00	3.00	4.00	4.00
Recreation & Senior Programs	20.00	21.50	21.50	22.00	27.00
<b>Public Works</b>					
Administration & Environmental Programs	6.75	7.00	7.25	3.00	3.00
Engineering Services	38.00	34.00	37.00	49.00	48.70
General Services	52.75	50.75	47.25	51.75	55.75
Maintenance & Operations	76.75	76.75	81.25	70.00	70.30
<b>Full and 3/4 Time Authorized Employees</b>	<b>525.50</b>	<b>533.00</b>	<b>553.00</b>	<b>584.50</b>	<b>599.75</b>
Increase/(decrease) over prior year	-	7.50	20.00	31.50	15.25

Source: City of Carlsbad Operating Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).

A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

In 1997 the City went through a reorganization and Major Service Areas (MSAs) were created.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
1.00	1.00	1.00	1.00	1.00
6.00	6.00	6.00	6.00	6.00
1.00	2.75	2.75	2.75	2.75
0.75	0.75	0.75	0.75	0.75
7.00	7.00	7.00	7.00	7.00
2.00	2.00	2.00	2.00	2.00
8.00	8.00	8.00	8.00	8.00
15.00	16.00	16.00	16.00	16.00
27.00	28.00	28.00	28.00	27.00
2.00	2.00	2.00	2.00	2.00
10.00	10.00	10.00	10.00	10.00
143.00	150.00	148.00	148.00	151.00
79.75	79.75	79.75	79.75	79.75
3.00	3.00	3.00	3.00	4.00
13.00	13.00	13.00	13.00	13.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
25.00	25.00	25.00	25.00	24.00
10.00	10.00	10.00	10.00	10.00
46.25	48.00	48.00	48.00	48.00
4.75	4.75	5.00	5.00	5.00
30.00	33.00	33.00	32.50	32.50
3.50	6.00	6.00	14.20	14.20
58.70	57.00	57.00	51.10	51.60
57.25	57.75	58.75	82.85	91.95
70.30	73.00	73.00	47.10	49.50
627.25	646.75	646.00	646.00	660.00
27.50	19.50	(0.75)	-	14.00

**CITY OF CARLSBAD**

**Operating Indicators by Function/Program  
Last Two Fiscal Years**

	2005	2006
<b>General Government</b>		
Number of recruitments processed	67	83
Number of new hires and promotions	50	135
Business licenses processed	8,507	8,955
<b>Public Safety</b>		
<b>Police</b>		
Calls for service	74,546	79,855
Average priority one response (minutes)	6.8	6.3
Cases	10,059	10,605
<b>Fire</b>		
Inspections - new construction		
Emergency responses	6,705	7,245
Fires extinguished	220	218
<b>Community Development</b>		
Affordable housing units completed	439	110
Financial assistance to affordable housing projects	\$1,600,000	\$1,440,000
Residential building permits issued	1,745	948
Code enforcement inspections	5,600	5,600
Building inspections conducted	53,267	51,000
Final inspections (dwelling units)	1,702	1,440
Planning applications considered	197	162
<b>Community Services</b>		
Library - total material circulation	1,282,974	1,237,311
Library - patron visits	731,326	898,511
Arts - number of events	65	62
Arts - attendance of events	50,000	65,000
Recreation - youth sports participants	1,100	1,150
Recreation - adult sports participants	5,100	5,150
Recreation - enrichment classes held	1,650	1,650
Recreation - enrichment class enrollees	16,700	16,700
Recreation - special events participants	2,000	3,500
<b>Public Works</b>		
<b>Streets</b>		
Road miles - overlay or slurry seal	28.20	32.30
Trees trimmed	1,767	1,800
<b>Carlsbad Municipal Water District</b>		
Potable water deliveries - acre feet	19,172	19,885
Average daily consumption (gal/single family)	363	398
Water customers	83,400	83,800
<b>Sewer</b>		
Sewage pumped (mgd)	7.36	6.62
Annual flow (mgd)	2,688	2,416
Sewer customers	62,570	64,095

Source: City of Carlsbad



**CITY OF CARLSBAD****Capital Asset Statistics  
Last Two Fiscal Years**

	<u>2005</u>	<u>2006</u>
<b>Community Services</b>		
Number of parks	39	39
Acres of parks	295	295
Acres of open space	625	625
Miles of trails	13	27
Number of pools	1	1
Number of community centers	2	2
Number of libraries	2	2
Number of materials in library collections	373,998	380,000
<b>Public Safety</b>		
<b>Fire Protection</b>		
Number of stations	6	6
Number of fire trucks	11	11
Number of ambulances	4	4
Number of other fire vehicles	11	11
<b>Police Protection</b>		
Number of patrol and other vehicles	85	82
Number of motorcycles	13	13
<b>Public Works</b>		
<b>Carlsbad Municipal Water District</b>		
Number of water connections	25,900	27,000
Miles of lines and mains	434	488
<b>Sewer</b>		
Number of sewer connections	20,500	21,839
Miles of sewers	254	282
<b>Streets</b>		
Miles of streets	295	338
Number of street lights	6,445	6,786
Number of traffic signals	138	152

Source: City of Carlsbad

